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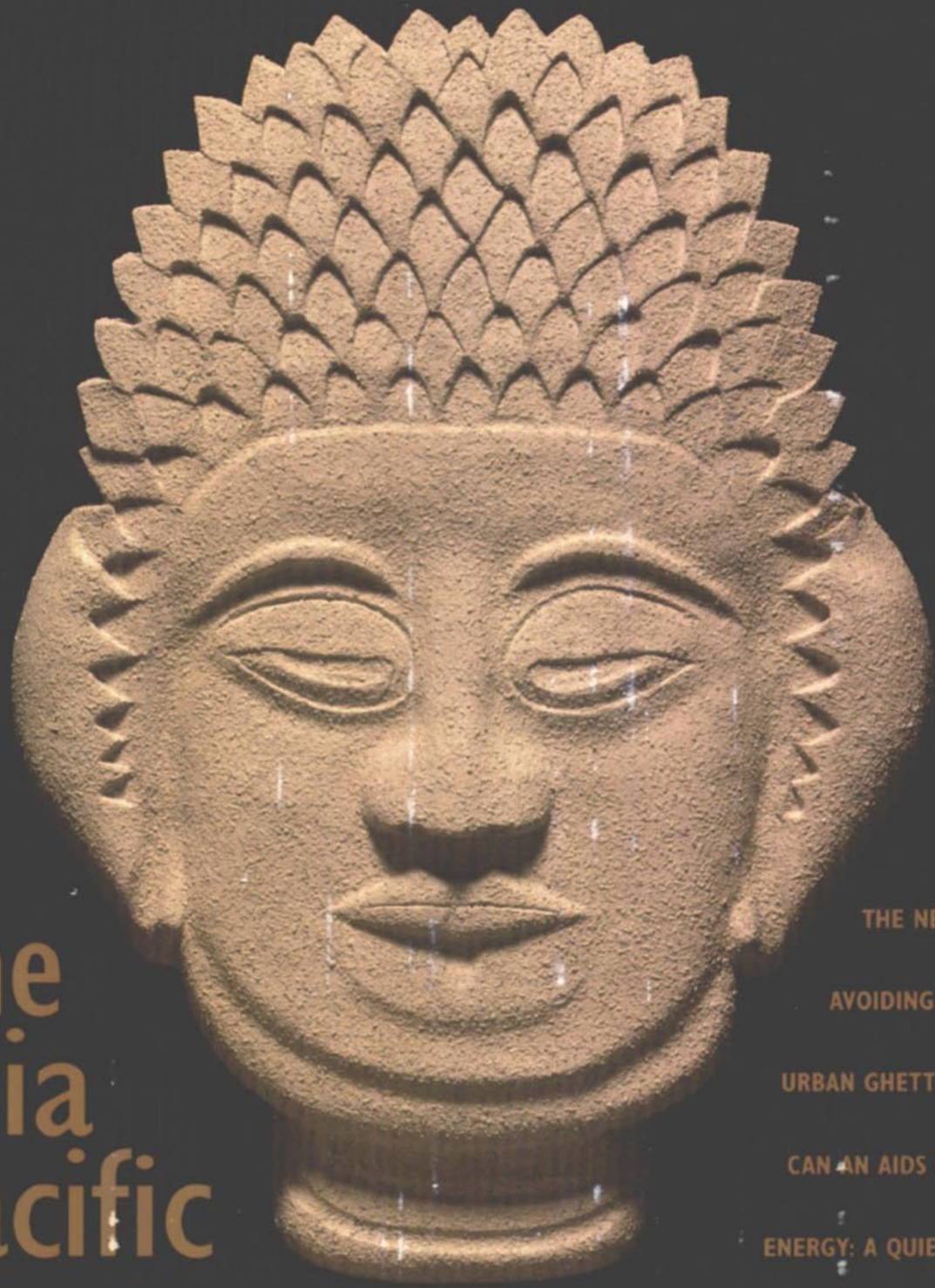

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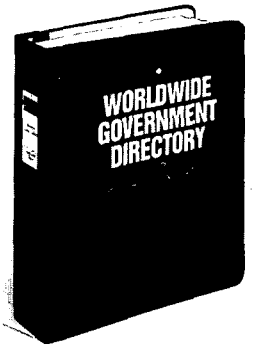

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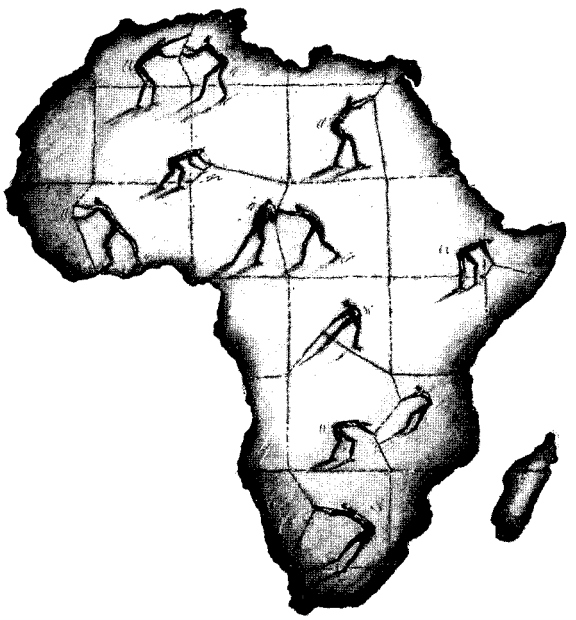
Reshaping National Boundaries



■ Francis Deng ("Africa and the New World Dis-Order," spring issue) provides an unorthodox but brave attempt to come to terms with the problems of domestic political instability and civil wars that have played havoc with the best efforts in national development and the institutionalization of democracy in Africa. Deng begins by pointing out the ambivalence with which the global community is now reacting to the post–Cold War challenge of reshaping national boundaries. Given the marginal role that Africa will continue to play—however much we may resent it—in the new global dispensation, it is time African statesmen and thinkers begin looking at the issue forthrightly and formulate policies that suit them best.

Deng challenges African leaders and peoples to see that renegotiating boundaries can be constructive and healthy. In the past even the mention of the subject was enough to evoke the most pejorative reaction. Deng's approach is to establish that national boundaries ought to change only as a very last resort. In between a strong central government and total secession is a wide variety of untried options—explicit recognition of ethnic identity and its representation on national governments, regional autonomy at various levels, federalism, confederacies, and common markets among sovereign states. It is time to bring this highly variegated menu to African statesmen and citizens and to convince them that self-determination of groups need not always lead to the feared disintegration of the present states into a myriad of small ethnic units.

Michael Chege, The Ford Foundation, Harare, Zimbabwe

The New Politics of the Middle East

■ Shlomo Avineri ("Israel and the End of the Cold War," spring issue), with characteristic clarity and sense of history, helps us understand the profound impact the end of the Cold War and the demise of the Soviet Union have had on Israel and the current Middle East peace process.

Nevertheless, the peace process would not be where it is today without the successful conclusion of the U.S.-led Persian Gulf War. That war changed the politics of the Middle East, establishing the United States as the sole superpower in the region. Syria's Hafez el Assad realized that if he was to repair his ravaged economy, he would need Western help and would eventually have to secure Syria's removal from the U.S. terrorist list. Only by entering the peace process could he hope to achieve this.

The Gulf War also changed the Palestinian equation. By backing Iraq, the PLO weakened itself substantially. Saudi Arabia and Kuwait, its two chief Arab financial supporters, cut off their funding. The indigenous Palestinians living under Israeli control in the West Bank and Gaza saw once and for all that external forces would not win their independence from occupation. The war strengthened their hand relative to the Tunis-based PLO leadership and at the same time added to their resolve to enter a peace process that could be their last best hope of securing some measure of freedom.

It must also be said that the settlement policies of Israel's Shamir government contributed to the Palestinians' desire to enter peace talks. They realized that time was not on their side. If the Likud continued to rapidly increase the Jewish population of the territories, any hope of ending Israeli occupation, from their perspective, would be greatly diminished.

Avineri notes that the quantum increase in U.S. military and economic aid to Israel came because the Soviet-Arab relationship during the Cold War made Israel a strategic asset. This is correct, in part, but this factor can be overdone. The real step-up in U.S. aid came not after the 1967 Six Day War, but rather after the Yom Kippur War in 1973. Aid had been minuscule until then.

The enormous increase in U.S. assistance to the Jewish State occurred not simply as a Cold War response, but as a reflection of the concern that Israel could be militarily destroyed without substantial American help. This, in turn, underscored the real foundation of the unique relationship between the world's greatest democracy and one of its smallest: a shared sense of democratic and Judeo-Christian values.

As Avineri suggests, the strategic relationship between the United States and Israel will now have to be redefined. But the willingness of the Clinton administration to retain the $3 billion aid level, the joint development of the Israeli Arrow Anti-Tactical Ballistic Missile, which can benefit both countries in defending against nuclear missile attack, and the common foe of Islamic fundamentalism suggest that the strategic relationship will continue to be intimate.

Stuart E. Eizenstat, Powell, Goldstein, Frazer, and Murphy and Chief Domestic Adviser to President Carter, 1977–81

Getting Out of a Jam

■ As Ken Small points out ("Urban Traffic Congestion," spring issue), governments do not have the funds (nor society the tolerance) to continue providing highway capacity to meet the ongoing growth in demand in cities around the world. Traffic is now controlled (inefficiently) through congestion; it can also be controlled (far more efficiently) through increased user charges related to the social cost of the journey.

Before we can adopt the lat-

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ter approach, demonstration projects must prove that user fee schemes can be effective and acceptable. Small appears to view user fees on single-highway projects (as opposed to areawide projects) as potentially good demonstration projects. But if charges are set high enough to affect demand on a single highway, traffic will, for the most part, spill onto alternative parallel routes. In most instances, those alternative routes will be less well suited and the resultant costs will outweigh the benefits—thus deferring the day when serious consideration will be given to areawide charges. At least some of the grants for congestion-pricing demonstration projects under the 1991 ISTEA should go to areawide projects.

The experience of Hong Kong, Holland, and Sweden shows that any such project must be carefully researched and planned and backed by a true political commitment. Slow but sure progress is much to be preferred to rapid failure.

Martin G. Richards, The MVA Group, Surrey, England

Drexel and the Watchdogs

■ Ralph Saul ("Drexel," spring issue) makes statements about the Securities and Exchange Commission that require correction.

First, he repeats the Milken-Drexel "Big Lie" that the criminal violations to which they pleaded guilty were "largely technical." Judge Wood, in her statement at the time of Milken's sentencing, expressly found otherwise. Market manipulation, defrauding clients, secret arrangements to mislead the market, repeatedly conspiring with others to violate the securities laws are violations that go to the heart of the integrity of the markets, as Saul should well know.

Second, Saul writes that the SEC has not disclosed facts permitting the public to understand the significance of these cases. The SEC's Complaint against Drexel and Milken is 184 pages long. It describes 18 series of transactions involving insider trading, stock manipulation, fraud on Drexel's own clients, failure to make required market-sensitive disclosures, and more. The U.S. Attorney's original indictment is 108 fact-filled pages long.

Third, Saul suggests that the SEC should have discovered Milken's and Drexel's wrongdoing sooner, asking how, for example, Milken avoided disclosing that he took for himself and the partnerships he controlled valuable equity and options obtained (by false statements) from his investment banking clients in connection with Drexel's underwriting of debt offerings for them. The answer is, of course, that nowhere in the offering documents did Drexel and Milken disclose this profiteering. But more generally, Milken's and Drexel's wrongdoing operated through secret arrangements with willing co-conspirators who, until Boesky got caught in the Levine insider trading ring, had every incentive to preserve the secret and get rich rather than disclose it and get jailed. These secret arrangements left no scent for investigators to pick up. Judge Wood described Milken's crimes as "particularly hard to detect."

Finally, Saul parrots the defense protestations about government leaks. We cannot state with certainty that the government is unequivocally without blame. Most leaks about pending investigations, however, can be traced to defendants or witnesses who seek to condition the public or to gain some other perceived advantage, such as a platform from which to decry "prosecutorial misconduct." Judge Wood concluded that the single secret government document known to have been "leaked" might just as well have been stolen. Nevertheless, she ordered the U.S. Attorney's Office to investigate. Staff unconnected with the Drexel-Milken case conducted the investigation. They took testimony under oath. No evidence to support the claim of leaks was found.

In short, the system worked. As cumbersome and complex as the process and the substantive issues were, a once powerful firm and perhaps the wealthiest and, for a brief time, the most influential figure in the U.S. capital markets were revealed to be felons. For that, those of us in the government familiar with this sad episode are rightfully proud.

William R. McLucas and Thomas C. Newkirk, U.S. Securities and Exchange Commission

Spending Limits—A Bad Idea

■ Jonathan Krasno and Donald Green ("Stopping the Buck Here," spring issue) should be congratulated on a creative analysis of an old problem, although I suspect their study—once circulated to the Democratic caucus on the Hill—will decrease rather than increase the chances for campaign finance reform. A sizable number of Democrats have always suspected that spending limits plus public funding would help their challengers, and Krasno and Green's research confirms those fears. Some Democrats may well opt for self-preservation over party loyalty and work to scuttle this particular reform in or out of the caucus.

My principal quarrel with the authors is this: by concentrating on one particular tree (spending limits for congressional election campaigns), they have missed the surrounding forest (the problems with campaign reform generally).

The First Amendment makes it impossible to stop the flow of political money. When you dam it in one place, it merely cuts another channel or begins moving freely underground, out of the sunshine and undisclosed. Artificial spending limits will inevitably increase constitutionally unlimited "independent" expenditures as well as nonparty soft money (spent by corporations, labor unions, and trade associations) that often has a hidden partisan agenda.

Spending limits also will have other unfortunate, unintended consequences. For example, they will help the haves and hurt the have-nots. Well-organized individuals and PACs, who can give early in the election cycle before a candidate's limit is reached, will be even more advantaged over poorer, late-organizing interests than they are now.

Moreover, Krasno and Green ignore the fact that incumbents will always be in a much better position than challengers to take advantage of the loopholes in spending limits that will be quickly discovered or invented by ingenious campaign finance lawyers. And let's not forget about the incumbent's access to taxpayer-financed reelection perks (mass mailings, mobile offices) every election cycle. These hefty expenditures can be expanded at will, and once challengers' expenditures are strictly limited, the temptation to do so will be all the greater.

In sum, spending limits remain challenger limits—and are just another bad reform idea that sounds good.

Larry J. Sabato, University of Virginia

The Review welcomes comments from its readers. Letters will be edited to conform to style and space.

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The President and the Military at Odds

BY LAWRENCE J. KORB

One of the most unfortunate aspects of the first 100 days of the Clinton administration is the continuing problems between the new president and the uniformed military. The roots of the problems lie in the 1992 presidential campaign and the unprecedented partisan role played in it by career military officers.

During the campaign Clinton's advisers, aware of the liabilities caused by their candidate's lack of foreign policy and military experience, sought and received the endorsement of some 20 retired officers, including a former chairman of the Joint Chiefs of Staff, Admiral William Crowe, and the deputy commander of U.S. forces in the Persian Gulf, Lieutenant General Calvin Waller.

These admirals and generals based their endorsement on Clinton's domestic agenda. As Admiral Crowe stated in his book, *The Line of Fire*, he was dismayed by the United States' lack of a sensible industrial policy, by its educational failings, and by the terrible divisiveness isolating so many citizens from the great American community. While Crowe and his colleagues have every right as private citizens to have their own views on industrial policy, they bring no particular expertise to bear on such subjects. Moreover, Clinton used these military endorsements not to justify his economic or social programs, but to legitimize his claim to be an effective commander-in-chief.

The endorsements of these retired officers infuriated many of their active-duty counterparts because of Clinton's campaign positions on military issues. Candidate Clinton promised to cut an already declining defense budget even more deeply and rapidly, to allow openly gay men and women to serve in the military, and to become more aggressive militarily in Bosnia.

Clinton's actions after the election only made things worse. He doubled his proposed defense cuts (from $60 billion to $125 billion); reduced military pay in real terms by 10 percent; tampered with the military retirement system; announced he would change the policy on gays (modified after a confrontation with Senator Sam Nunn); appointed an analyst, former congressman Les Aspin, to run the Pentagon; and initially rejected the Vance-Owen plan to stop the fighting in Bosnia.

For their part, the military kept the pot boiling during the transition by engaging in what Eisenhower called "legalized insubordination"—letting the media know about their opposition to Clinton's social, foreign policy, and budgetary proposals, implicitly questioning his ability to be commander-in-chief. This message filtered through the ranks, resulting in a hostile reception of the president on board the carrier Theodore Roosevelt and very low respect for the president throughout the service. According to a February *Los Angeles Times* survey, only 12 percent of the active duty force had a great deal of respect for the president.

The strained relations between Clinton and the military should not cause serious problems for his administration. But they could lead to long-term problems for the American political system unless both military leaders and the administration take steps to address the sources of the trouble.

First, military leaders, even retired ones, should keep out of partisan politics. Crowe and his colleagues may have voted for Clinton because of his economic and social policies, but their public endorsement conveyed to the American public that they supported his qualifications to be commander-in-chief, as well as his budget cuts and

policy on gays. The fact of the matter is that they do not. Lieutenant General Waller has even testified against Clinton's policy on gays.

Second, the outgoing administration should continue to exercise civilian control of the military even during the transition. Seventy days is too long a time to allow the military to set their own agenda. The Joint Chiefs knew Clinton's positions on gays and Bosnia, but took advantage of the transition to build public support against these policies.

Third, Clinton must realize that because of his draft record, he will never be popular with the military, and that neither he nor any politician is fully qualified to be commander-in-chief. Ronald Reagan was never popular with workers at places like the Department of Housing and Urban Development or the Department of Education, nor did he care. Dan Quayle was the butt of jokes when he visited the troops in the Persian Gulf, because of his avoidance of active service in Vietnam. The harder Clinton tries to improve relations with the military, the worse they will get.

The role of commander-in-chief comes with election to the presidency. Except for a career military officer, no one is technically qualified to give orders to the Joint Chiefs of Staff. Clinton's success as commander-in-chief, however, will depend on the decisions he makes. If he successfully handles situations like Bosnia, the defense drawdown, and the social changes in the military, history will judge him to be a qualified commander-in-chief, and no one will care whether the uniformed military liked him. ■

Lawrence J. Korb, a former assistant secretary of defense for manpower, is director of the Brookings Center for Public Policy Education.

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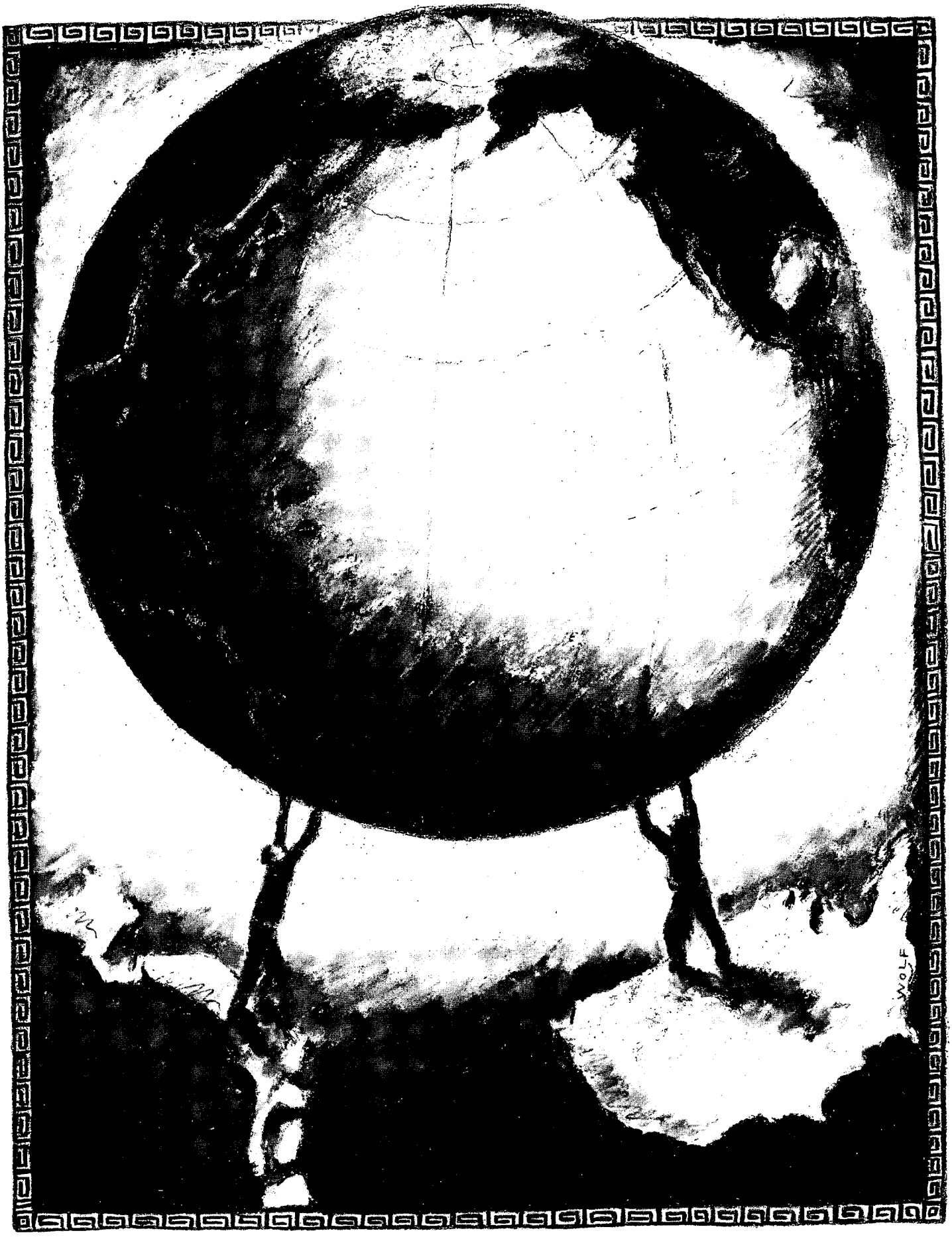

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Rivals or Partners?

Prospects for U.S.-Japan Cooperation in the Asia-Pacific Region

Harry Harding and Edward J. Lincoln

With the end of the Cold War, U.S.-Japan relations have been set adrift. Economic competition between the two countries is increasing, at a time when the disintegration of the Soviet Union has left them without a common enemy. Government officials and policy analysts in both nations are searching for a new foundation for Japanese-American relations. One candidate has been a "global partnership," in which the two countries would deploy their economic, diplomatic, and military resources toward managing and solving international problems.

The concept seems so attractive that it has become part of the conventional wisdom in most discussions of U.S.-Japan relations. It was embodied in the Tokyo Declaration, issued at the end of President George Bush's visit to Japan in February 1992. It has been endorsed by Winston Lord, the new assistant secretary of state for East Asian and Pacific affairs in the Clinton administration, who said during his confirmation hearings that a "comprehensive, durable partnership with Japan" could help find solutions to "issues ranging from Korea to Somalia, Cambodia to Russia, technology to foreign aid, [and] the environment to democracy."

And yet, although the global partnership between Japan and the United States is unlikely to be as contentious as their bilateral economic relationship, neither is it likely to be characterized completely by cooperation and harmony. In fact, any realistic appraisal of the prospects for such partnership must begin with the frank admission that the two countries will approach many international issues from divergent perspectives. Nowhere are the implications of these differences more apparent, or more important, than in the Asia-Pacific region.

The most obvious differences between the two countries are rooted in economics. Though they are thoroughly intertwined by vast flows of goods, capital, and technology, Japan and the United States are highly competitive. Not only do the industrial and commercial sectors in each society compete for advantage in the world marketplace, but also the two governments try to advance their national economic interests as international economic integration proceeds.

The two countries also have different geopolitical interests. Japan, naturally, is immediately concerned by military and political developments on the Asian mainland. While both the U.S. and Japanese economies are dependent on imports of natural resources and raw materials from abroad, Japan's sense of vulnerability to the disruption of supply is palpably greater than that of the United States. And Japan, unlike the United States, has territorial disputes with both Russia and China.

Finally, differences in the history, culture, and structure of U.S. and Japanese society affect their outlook on international issues. The United States, a highly competitive form of multiparty democracy, is less tolerant than Japan of quasi-democratic alternatives. The United States also generally assigns a

Harry Harding and Edward J. Lincoln are both senior fellows in the Brookings Foreign Policy Studies program. Harding is the author of A Fragile Relationship: The United States and China since 1972 *(Brookings, 1992). Lincoln is the author of* Japan's New Global Role *(Brookings, 1993).* *This article grew out of a paper prepared for the Japan Center for International Exchange and the Japan Center for Global Partnership.*

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higher priority to promoting human rights abroad than does Japan. In theory, if not always in practice, Americans believe in relatively *laissez-faire* models of economic development, whereas Japanese are willing to give a greater role to government. In addition, the bitter legacy of Japanese military expansionism in Asia has made Japan far less willing to devote its own military resources to solving military problems than is the United States.

This blend of common and divergent perspectives is evident in the approaches that the two countries take to a wide range of regional and subregional issues in the Western Pacific.

The Dilemma over China

Both the United States and Japan want to see China stable, modernizing, liberalizing, and at peace with its neighbors. Both have been eager to cooperate with the ambitious program of economic reform that has been under way in China since 1978, through direct investment, technology transfer, and official development assistance. Immediately after the Tiananmen crisis of 1989, both imposed economic and diplomatic sanctions against Peking, delaying high-level contacts, reducing lending by international financial institutions, and suspending bilateral aid programs. More recently, both countries have been concerned by increases in China's defense budget, by China's interest in developing an offensive military capability, and by the reassertion of Chinese claims to the South China Seas.

But Japan's proximity to China makes it especially wary of political instability on the Chinese mainland for fear that it could produce an outpouring of refugees or weaken central control over China's armed forces. Tokyo has thus been eager to return to a supportive relationship with China and, indeed, has resumed bilateral aid and high-level official contacts. The United States, both less sure than the Japanese that a closer economic relationship promotes more rapid political and economic liberalization and more concerned about human rights, has maintained sanctions to punish China for continuing to repress dissent. Indeed, the Clinton administration could well adopt a tougher policy toward China, including restricting or withdrawing Peking's most-favored-nation status. Although Tokyo would prefer to maintain unity with Washington in formulating policy toward Peking, it is highly unlikely that Japan would join the United States in imposing such conditions on trade with China.

A final source of tension is Hong Kong. Both Japan and the United States have a growing economic stake in Hong Kong, both as a regional financial and commercial center and as an *entrepot* for the dynamic economy of southeastern China. Yet the two countries are not likely to see eye to eye on the demands of many Chinese professionals in Hong Kong for greater democracy as the territory moves back toward Chinese sovereignty in 1997. Americans will be sympathetic to efforts to expand the role of direct elections, organize competing political parties, and enlarge the role of the local legislature. But the Japanese may fear that such efforts will provoke Peking and thus jeopardize Hong Kong's longer-term autonomy, stability, and prosperity.

Russia's Democratic Experiment

Although both Japan and the United States want Russia's experiments with economic and political reform to succeed, differences in perspective have already impeded their cooperation. Japan, for example, has delayed providing foreign aid because of its dispute with Russia over the Northern Territories. Only after sustained American and European pressure did Tokyo reluctantly agree last April to extend economic assistance to Russia, and then only as part of a multilateral program rather than as a separate bilateral initiative. Moreover, whereas many Americans believe that aid is critical if Boris Yeltsin's program of economic and political reform is to succeed, many Japanese continue to doubt the efficacy of foreign aid given the chaotic conditions in much of Russia.

The different geostrategic locations of the two countries continue to influence their assessment of the consequences of the end of the Cold War. Americans tend to assume that the collapse of the Soviet Union and the emergence of a quasi-democratic system in Moscow have eliminated any significant strategic threat from Russia. In contrast, the Japanese, who fought one major war with Russia in 1904–05 and faced Russian troops at the end of World War II, nervously eye the huge military forces that the Kremlin maintains in nearby eastern Siberia.

On the other hand, Japanese and American perspectives have coincided in some areas. Russia's willingness to sell advanced military technology, seemingly at bargain prices, to regimes around the world, including China, may soon be a force for cooperation. Whatever the U.S. and Japanese views on the residual threat posed by Russia's own military forces, the two are likely to agree on the danger of the transfer of Russian military technology abroad and on the need to take common measures to control it. In addition, despite its reluctance to provide general economic assistance to Russia, Tokyo has been willing to join Washington in extending aid focused on such crucial issues as military conversion, denuclearization, and environmental protection.

The Korean Peninsula

Japanese and U.S. interests in the Korean peninsula have so far remained close. Above all, the two countries seek to prevent a reprise of the Korean conflict of 1950–53. They also want to keep North Korea from developing nuclear arms, to restrict the flow of advanced conventional weapons to Pyongyang, and to limit the export of Korean weapons to unreliable regimes in the third world. In addition, they want North Korea to move toward a market economy, rejoin the world economy, and relax political controls.

To that end, Japan and the United States have worked closely together. Japan was a major staging point for American forces in the Korean War, and the U.S. deterrent posture on the Korean peninsula requires access to bases in Japan. The United States has maintained strict economic sanctions on all transactions with North Korea, and Japan's commercial relationships with Pyongyang have been quite limited. The two countries have applied steady diplomatic and economic pressure to force Pyongyang to abandon its nuclear weapons program, accept International Atomic Energy Agency in-

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spections of its nuclear facilities, and agree with Seoul on a supplementary system of bilateral inspections. At the same time Tokyo and Washington have also held out the prospect of diplomatic recognition, expanded trade and investment, and possibly economic assistance as incentives for more cooperative North Korean behavior.

In the years ahead, as progress is made toward normalizing relations with Pyongyang, the two countries' strategies may begin to diverge. The United States will be concerned with POW and MIA issues dating from the Korean War. Japan will have to address North Korean demands for reparations for its period of colonial rule. If one set of issues is easier to resolve, Tokyo and Washington will normalize relations with North Korea at different speeds. They may also differ on whether to secure Pyongyang's compliance with international nonproliferation regimes before normalizing diplomatic ties.

Japan's proximity to the Korean peninsula gives the issue of reunification particular salience there, whereas the United States, from afar, can view the prospect with equanimity. Both countries would presumably be concerned if reunification resulted from the sudden collapse of the North Korean regime (as in the case of Germany), but Japan would be much more immediately apprehensive about the dangers of instability in the north, the effect on the South Korean economy, and the prospect of a flood of refugees.

Easing Tensions in Indochina

Ever since Vietnam intervened in Cambodia at the end of 1978, Japan and the United States have worked together to resolve the conflict. Tokyo and Washington coordinated diplomatic and economic pressure on Hanoi, limiting trade, investment, and aid until Vietnamese troops left Cambodia and a peace settlement was reached. Since the Paris Accords were signed in October 1991, the United States and Japan have provided economic assistance to the interim government in Phnom Penh and financial support to the United Nations transitional authority in Cambodia. Tokyo has also, for the first time ever, provided troops for UN peacekeeping operations.

Japan, however, has stayed at least one step ahead of the United States in rebuilding ties with Vietnam. Unlike the United States, Japan has had full diplomatic relations for many years. Japan has also continued limited trade and investment with Vietnam and has even resumed economic aid, while the United States has maintained a tight economic embargo on Hanoi. The continuing U.S. resentment over the outcome of the Vietnam War, especially the treatment of American POWs and MIAs, that colors the U.S. approach could deepen the rift between U.S. and Japanese policy toward Vietnam, unless the Clinton administration moves quickly to complete the normalization of U.S.-Vietnam relations or to lift the American embargo.

The Taiwan Strait

Taiwan too could strain the U.S.-Japanese alliance. Both nations, of course, wish to ensure a peaceful future for Taiwan and to discourage China from using force to achieve reunification. And both presumably wish to see Taiwan have a greater role in international economic institutions, as befits its large and expanding gross national product, global trade flows, and foreign exchange reserves.

Since the early 1970s the United States and Japan have generally followed parallel policies toward Taiwan. Japan switched its diplomatic relations from Taipei to Peking in 1972, and the United States followed six years later. Both have unofficial offices in Taipei to manage extensive economic and cultural ties. And both have worked to ensure Taiwan's participation in the Asian Development Bank and the Asia-Pacific Economic Cooperation forum and to support Taiwan's application to join the GATT.

Still, several differences in perspective loom. First, the United States is committed to help preserve Taiwan's security by selling the island defensive weapons under guidelines established in the Taiwan Relations Act of 1979 and the Sino-U.S. communiqué of 1982. The arms sales may become increasingly contentious, however, especially as the mainland continues to modernize its armed forces and develop offensive capabilities. Japan, for example, fears that America's recent decision to sell 150 F-16s to Taiwan might be excessively provocative to Peking.

Differences in the history, culture, and structure of U.S. and Japanese society affect their outlook on international issues.

Second, Taiwanese demands for a more visible role in the world—and even for formal independence from the rest of China—are likely to gain a different reception in Washington than in Tokyo. Such demands could attract considerable sympathy in the United States, where there is a long tradition of supporting self-determination and where revulsion against the Tiananmen crisis remains strong. Conversely, many Japanese believe that their 50-year period of colonial rule over Taiwan—let alone their strong desire to maintain stable relations with China—makes it impossible to endorse any move toward Taiwanese independence. For similar reasons, Japan has already lagged far behind Western Europe and the United States in sending cabinet-level

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officials to Taipei to discuss economic and commercial issues.

On the other hand, the United States would probably have substantially fewer reservations than Japan about the reunification of Taiwan and mainland China. Japan's reliance on the sea lines of communication that pass by Taiwan might make Tokyo apprehensive about Taiwan coming under the control of a mainland government. Japan might also be more concerned than the United States about the growth of Chinese economic and strategic power that could come with reunification.

South China Seas

The recent intensification of the disputes among China, Vietnam, and several other Southeast Asian nations over the islands in the South China Seas is of concern to both the United States and Japan. Both wish to prevent the controversies from setting off arms races among the claimants, let alone sparking open conflict. Both would presumably favor joint development of the rich natural resources that may lie beneath the islands, on terms equitable to all parties, while setting aside the issues of sovereignty for the time being.

Economic competition and policy differences need not lead to an environment of political rivalry and hostility.

Nonetheless, the issue could strain relations between the two. Japan has an immediate interest in the security of the sea lanes, but, given regional suspicions about Japan's long-term strategic intentions, Tokyo would be reluctant to deploy its own military forces to protect its interests. The outbreak of conflict over the islands could easily give rise to disputes about equitable sharing of burdens within the Japanese-American partnership.

Regional Security Issues

The Japanese-American alliance contributes much to peace and security in the Asia-Pacific region. Not only does it give the United States a military staging ground, it also obviates the need for Japan to undertake a military role that could alarm other nations in the region.

Yet burden sharing within the alliance remains a chronic problem. Although the collapse of the Soviet Union has reduced American pressure on Tokyo to increase military spending and although Japan's financial support for U.S. deployments is generally regarded as adequate, America may well insist that Japan assume a greater responsibility for its own conventional defense. But to do that, Tokyo will have to allay regional fears about the revival of Japanese militarism.

Until recently both Tokyo and Washington have been highly skeptical about forming a cooperative security regime in Asia. They summarily rejected Mikhail Gorbachev's proposals for naval arms control as efforts to prevent the United States from developing a counteroffensive capability in the Northwest Pacific. And they were cool to Australian and Canadian proposals for multilateral dialogue, regarding them as unpromising attempts to transplant European concepts in Asian soil.

The most recent batch of proposals for cooperative security, however, has been coming from the Association of Southeast Asian Nations (ASEAN), a group whose opinion must be treated with deference. And Tokyo and Washington appear to be beginning to realize on their own that preventing arms races, suppressing terrorism and piracy, and managing refugee flows can be achieved only through cooperative mechanisms.

At present, Tokyo and Washington appear to agree on a "multiplex" approach to cooperative security, consulting informally on subregional issues, particularly Indochina and Korea, but using the ASEAN post-ministerial conference and even Asia-Pacific Economic Cooperation (APEC), the principal government-level forum for regional economic discussions, for region-wide dialogue on force deployments, arms transfers, and security doctrines. And both insist that cooperative security regimes supplement, rather than replace, existing alliance structures. Maintaining that consensus will be important in the years ahead.

Economic Integration

The nations of East and Southeast Asia are now trading and investing with one another to the extent that one hears talk of the region taking shape as a distinct economic entity, as well as questions about ways to manage such a development. Much of the economic activity has been quite apart from relations with either Japan or the United States, but these two economic giants will inevitably play important roles in whatever arrangements emerge. And the two could take different approaches to the institutional issues raised by regional integration. The United States has shown some interest in APEC. Some Japanese, on the other hand, express unofficial interest in the more geographically restrictive East Asian Economic Caucus proposal of Malaysian Prime Minister Mahathir. As institutional evolution proceeds, Americans and Japanese will need to be aware of the extent to which their views on desirable arrangements converge or diverge.

At a subregional level, cross-border trade and investment are increasing rapidly between partners that were either separated by sharp political divisions or uninterested in each other in the past. These evolving economic ties are largely natural developments whose absence until

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now is a sad legacy of the Cold War and a sense of mutual exclusivity in economic structures. Most of these economic links do not affect the United States or Japan directly and are not particularly important as a matter of bilateral discussion, but their continued evolution should be encouraged by both countries.

Political and Economic Liberalization

The United States and Japan share democratic political institutions, and have a common interest in promoting human rights and political liberalization abroad. To this end, both countries have agreed that human rights should be one factor in determining the level of bilateral and multilateral aid to be given to developing countries. They have not only joined in criticizing China's suppression of anti-government protests in 1989, but have also worked in tandem to sanction the repressive behavior of the Burmese government.

But Japan and the United States also have clear differences about promoting human rights abroad. Not only do Americans tend to assign them a higher priority than do Japanese, but Tokyo appears to believe that the best way to promote human rights is to continue economic interaction, even economic aid, on the grounds that economic dynamism will eventually produce inexorable pressures for political liberalization. In contrast, many Americans regard normal commercial ties, let alone economic aid, as "rewarding" unsavory regimes, and therefore believe that human rights violations should be met by protracted sanction rather than continued engagement.

The differences in human rights policies evident in the way Japan and the United States have related to China since the Tiananmen crisis may affect the way the two countries deal with other Asian nations as well. One issue that may arise is whether it is more important to help consolidate democracy where it has already begun to take shape or to promote its emergence in the remaining authoritarian and totalitarian regimes. The first strategy would imply a focus on aiding the transition to democracy in nations like Mongolia and the central Asian republics; the latter, an emphasis on pressuring China, North Korea, Burma, and Vietnam to begin or resume political reform.

The United States and Japan also appear to favor different strategies for managing the transition to a market-oriented economy. Tokyo is increasingly willing to recommend that former Communist countries, in Asia and elsewhere, follow the path pursued so successfully by Japan and much of the rest of Asia in the 1960s and 1970s: extensive government involvement to build infrastructure, foster strategic industries, and promote exports, and gradual progress toward privatization of ownership and the decontrol of state-set prices. During two successive Republican administrations, especially during the Reagan years, Washington followed the principles of neoclassical economics in proposing quick and decisive progress toward privatizing and deregulating the economy. It remains to be seen whether the Clinton administration—more supportive of governmental intervention in the U.S. economy—will moderate the American position to bring it into greater conformity with that taken by the Japanese.

Environmental Protection

Although preserving the environment has become a pressing global concern, international policy approaches remain largely undeveloped. Many environmental issues should be debated at a global level, but that forum is often unwieldy, and particular problems may affect interests in one geographical region more than in others. Asia's rapid economic growth has worsened environmental problems and hastened consideration of policy responses. For example, deforestation in parts of Southeast Asia and extensive air pollution in China from the use of soft coal have serious implications both for the immediate locations involved and for the regional and global environment.

The United States and Japan, as the two advanced economies interacting closely with the region, share a concern about environmental degradation and have the financial and technical resources to make a difference. Neither country has a perfect domestic record in dealing with these problems, but both have gained considerable experience over the past two decades in tackling some of the worst problems.

The experiences of the United States and Japan, however, have been quite different. Japan's record on technical approaches to air and water pollution, pursued in a framework of considerable government-business cooperation, has been good, while its record on conservation issues such as fishing and deforestation has been weak. The United States has a better record on conservation, but government-business conflict has hampered some aspects of air and water pollution policymaking. More important, Japan has been far more willing over the past several years to commit foreign aid money to assist developing countries with environmental problems, while the U.S. government has been somewhat suspicious of the motives of developing countries in getting the developed nations to foot the bill.

If the United States and Japan approach environmental issues in the region individually, these divergent backgrounds and approaches could worsen the rivalry between the two.

A Realistic Partnership

U.S.-Japan relations must be based on reality, not on wishful thinking. It is naive to suppose that the intense economic competition between Japan and the United States would subside if the two countries could only agree to form a global partnership on international issues. For one thing, cooperating on regional and global questions cannot compensate for a failure to manage bilateral economic issues. For another, although there are indeed many areas in which Tokyo and Washington can work together to achieve common purposes, they will approach other issues from divergent perspectives and with different objectives.

Recognition of the differences in attitude and approach by the United States and Japan has led some to see the emergence of a new global or regional rivalry between them. But economic competition and policy differences need not lead to an environment of political rivalry and hostility. It would be as foolish to ignore the common interests of the two countries as it would be to paper over the differences through appeals to vague concepts of partnership and harmony. ■

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Reforging Northeast
U.S. Strategy and Korean

North Korea's recent decision to withdraw from the Nuclear Non-Proliferation Treaty has brought a halt to the slow but nevertheless encouraging progress toward an accommodation between the two Koreas. Although Seoul and Pyongyang had not even begun to discuss reductions in the two huge armies that still confront one another across Korea's demilitarized zone, the nonaggression and denuclearization agreements the two Koreas signed at the end of 1991 were promising, as was North Korea's willingness last summer to allow officials from the International Atomic Energy Agency to see its nuclear facilities. Bringing Pyongyang back to the bargaining table is high on the policy agendas of the United States, South Korea, and other Northeast Asian states.

Americans are understandably anxious to settle things in the last of the Cold War's hot spots. War in Korea is still plausible and would inevitably involve the U.S. troops still in South Korea. North Korea's nuclear potential is especially worrisome, not just because of the possibility of war in Korea, but because the existence of a North Korean "bomb" would pressure South Korea and perhaps even Japan to acquire nuclear weapons. Meanwhile, an isolated and increasingly desperate North Korea has become a supplier of missiles to states like Iran and Syria. At the very least, the United States wants North Korea to move toward closer accommodation with South Korea and the world.

Presumably it is also in the U.S. interest for such an accommodation to lead eventually to Korean unification, ending the tragic division of a coherent race and culture. Yet Korea's troubled history raises warning flags. For centuries Korea's relatively small size and central location among Northeast Asia's larger powers made it a strategic prize or buffer for its

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Asia's Dagger? Unification

Thomas L. McNaugher

neighbors. Fluctuations in power relationships across the region rippled perversely through Korean politics, while flux in Korea's domestic politics invited intervention or intrigue from neighbors seeking regional advantage. Unless the forces that shaped this history have been tamed, the unification of Korea could create as many problems as it solves—and pit the U.S. interest in Korean unification against an overarching U.S. interest in regional stability and continued economic growth.

The situation forces U.S. policymakers to grapple with a world they do not fully understand. If History has ended (to use the popular expression), Korea's past may tell us little about its future. Yet with History returning in parts of Central Asia and the former Yugoslavia, it would be risky to push for Korean unification as if it will have no effect on the security situation in Northeast Asia. Substantial U.S. military deployments along the East Asian rim and strong U.S. economic links to Northeast Asia give Washington a critical role in defining a place for a unified Korea in the region. With events in Korea never fully predictable, especially now that North Korea has been isolated, it is not too soon to consider U.S. strategies for handling Korean unification and a unified Korea.

The Korean Dagger

In the past, Korea's problem was not the threat it posed to its neighbors, but rather the threat they posed to each other through Korea. For the Japanese, Korea was a "dagger pointed at Japan"—the 13th-century Mongolian invasion of Japan launched from Korea is an early instance. But Japan invoked the Chinese version of the Korean dagger in 1592, when one of its warlords invaded Korea in quest of the wealth of Manchuria.

After turning back the Japanese, the Manchu forces of China's emerging Ch'ing dynasty invaded Korea starting in 1627 and enforced suzerainty—and peace—there for the next two centuries. But the disintegration of China in the late 19th century, combined with the opening of Japan and the arrival of Russia in East Asia, made Korea almost ungovernable. Disarray in its ruling dynasty was compounded by competitive intrigue by China, Russia, and Japan, each backing different Korean political factions in an effort to control the Korean prize. After defeating China in 1894 and Russia in 1905, Japan "stabilized" the situation by making Korea a colony.

Japan's defeat in 1945 reopened competition for Korea, and Korea's location helped make it a Cold War hot spot. Soviet forces moved rapidly into Korea in the closing weeks of World War II, reflecting Stalin's view, much like the Tsars', of Korea's importance. The United States responded militarily to North Korea's attack on the south in June of 1950 partly out of belated recognition of Korea's importance to the security of American-occupied Japan. Worried by the approach of U.S. forces to their border later that year, the Chinese intervened in the war, partly to ensure the security of Manchuria. As in the 1890s, outside powers sought to deny each other a dominant position in Seoul, this time by backing different governments rather than different factions.

The Region and Unification

Could the end of the Cold War herald a phase of history in which the forces of global economic interdependence overcome the geographic and military factors that helped shape Korean history? The East Asian "economic miracle" seems to have made friends of old enemies across the region, especially where Korea is con-

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cerned. South Korea's economic vitality attracted Soviet and Chinese trade well before the Cold War ended, after all, and it was the Soviet shift from subsidizing North Korea to trading with South Korea that first brought pressure to bear on Pyongyang to open to the rest of the world. Economic forces thus helped reshape Northeast Asian politics.

There are other positive signs. East Asia as a whole is now littered with "trading states" that exemplify the irrelevance of territory and resource endowments to the creation of wealth today. Japan, whose earlier search for independence brought war and disaster, has embraced interdependence and grown rich. While the benefits of peace and stability are thus high, rising nationalism has raised the cost of war. The territorial trades and grabs rampant during the imperialist era are almost inconceivable today.

Many of these positive trends were nurtured, however, within a reasonably stable, bipolar security framework that no longer exists. The Cold War's end has opened a period of substantial flux in regional security relationships in which Asians themselves worry about the reemergence of geographical and historical forces that do not favor cooperation. In some cases economic growth and trade only reinforce these concerns.

China's size and central location, for example, give it enormous weight in Asia. While borders in Asia may be settled in broad outline, China has border conflicts, or conflicting claims to offshore territories, with most of its neighbors, including Japan. It showed itself willing to invade Vietnam in 1979, and it has grown more assertive over the past few years about border and island claims. It has also increased military spending on weapons capable of projecting force beyond its own borders.

China's neighbors are anxious to invest in and sell to the Chinese market, and the interdependence thus created may explain why China has avoided using force to back up island claims in the South China Sea save in the case of Vietnam, an economic basket case. But if economic cooperation ultimately helps China fully exploit the talents of its people and its large natural resource endowment, it will be an economic giant far less "interdependent" with its neighbors than simply dominant over them.

Japan has been raising similar concerns since 1985, when Japanese businesses began to move less efficient industries offshore in search of cheaper labor. Japanese investment in Southeast Asia surged, producing wealth, but also a deep sense of vulnerability, as if Japan were about to take over Southeast Asia by economic means. These concerns are muted, however, both by Japan's continuing security relationship with the United States and by U.S. economic involvement in East Asia, which is viewed as a necessary balance to Japan's and, perhaps in the future, China's activity.

Geography fundamentally shapes Russian perspectives on Asia. The distance from Moscow to Vladivostok and the arduousness of that passage help account for Russia's relatively weak position in Asia despite its huge territorial holdings there. Meanwhile, Russia's only access to the Pacific is through narrow passages north and south of Japan. Having a position in Korea helped solve both problems, protecting Russia's Asian flank while securing an exit from the Sea of Japan. Small wonder, then, that Stalin's post–World War II goals in Korea were essentially those of Tsar Nicholas II. A democratic Russia, if that is what emerges from the current turmoil, may entertain more benign goals in Korea, but it would be risky to assume that.

Whether geostrategic considerations like these shape East Asia's future, they have helped shape a past that is itself a source of regional tension. Japan-Korean relations remain especially tormented by history. Koreans deeply resent Japan's colonial policies, which sought to stamp out Korean culture. Many Japanese return the animus; to this day, polls in Japan and South Korea suggest that each people considers the other to be untrustworthy. Each has already begun to think of the other as a principal post–Cold War threat.

The danger in these cases is probably not large-scale war or the grand territorial grabs of a century ago. But it is certainly tension, an arms buildup, possibly border conflicts, and in some cases the attempt to acquire nuclear weapons. Indeed the arms buildup has already begun, and not just in China; Southeast Asia's richer states have slowly begun to acquire arms mostly because of uncertainty about China's ambitions and U.S. staying power.

The Divisiveness of Unification

As long as traditional forces continue to operate in world politics, Korean unification is likely to be a mixed blessing for Korea and the region as a whole. Although it will resolve the considerable tensions surrounding the current military standoff on the peninsula, it will introduce new regional tensions.

A small state amidst larger ones, a unified Korea will confront difficult security choices that could set neighbors at odds with each other. Acutely conscious of Korea's historic vulnerability to its powerful neighbors, for example, the leaders of a unified Korea could seek to play outsiders off against one another, as Pyongyang has done with Russia and China. Yet this tactic literally depends on and would probably exacerbate differences among the surrounding powers. It would also, given China's size and power and the presence of nuclear weapons all around the peninsula, encourage Koreans to acquire nuclear weapons. But this would pressure Japan to reconsider its longstanding nuclear aversion—with destabilizing consequences for Japan and the rest of Asia.

Alternatively, a unified Korea could tie itself to a nearby larger power, accepting that state's nuclear umbrella, much as South Korea has done with the United States, rather than developing its own arsenal. South Koreans (and reportedly even some North Korean diplomats) often talk of a continuing security relationship with the United States, as protection more from Japan than from China. Whether China would take kindly to having a U.S. ally on its border remains uncertain, however. A Korean security link to China, on the other hand, would force the United States and Japan to confront similar questions.

Korea's neighbors must also make choices—not only about their relations with a unified Korea, but perhaps also about whether and how the Koreas are brought together—and these too could worsen Northeast Asian security. No doubt Korea's neighbors want to defuse the Koreas' military confrontation and to keep the peninsula free of nuclear weapons. But many Japanese see a unified Korea as a potent economic rival and possible military threat, and thus are not anxious to see Korea unified. Beijing seems more comfortable than Tokyo with the economic implications of unification, since a unified Korea could help China develop its own economy. Whether

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Beijing would be similarly comfortable with the strategic implications of unification, however, is likely to depend on Korea's security choices and China's relations with its neighbors. Presumably Moscow holds similar views.

Neighbors anxious for Korean accommodation might thus seek to stall actual unification or to assert some control over the emerging state, thus reopening the historic regional competition over Korea. Whether and how they can implement such policies, however, will depend partly on how unification unfolds—slowly and according to some plan or quickly and perhaps violently.

Both North and South Koreans want their country to be unified by a gradual process of military accommodation and confidence building, paralleled by economic development in the north. North Koreans have long preferred for the two Koreas to develop separately, then join under some kind of confederal arrangement that preserves separate regimes. South Koreans have generally favored creation of a single government, but, having concluded that Korean unification will cost far more than German unification, they now speak of a long period during which not only South Korea but other states, notably Japan and the United States, invest in and help develop North Korea's economy.

Many observers would argue, however, that unity is more likely to emerge quickly, perhaps violently, as a result of political turmoil in the north. North Korea may fall into the South's lap. Or South Korea might be lured by violence in the north to attack to protect surviving North Korean "moderates," effectively unifying the country by force. An increasingly desperate North Korea could always attack the south, wreaking enormous damage on Seoul, perhaps, but probably failing to consolidate a grip on the peninsula. Indeed, the failure of such an attack might lead to the collapse of the Pyongyang regime or to civil war.

The planned and methodical path to unification will take many years and will require the help of the United States and Korea's neighbors, all of whom will thus have the time and opportunity to meddle in one or the other Korea for their own political ends. Some may even try to stymie unification. Seoul once accused Tokyo of offering economic aid to Pyongyang to keep Korea divided and could do so again as Japanese investment in North Korea grows. Arguably the situation could renew tensions between South and North Korea as well.

Rapid or violent moves toward unification are likely to produce a Korea that is reasonably strong militarily and coherent politically, but terribly weak economically. This path would present less opportunity for political intrigue, but more opportunity for economic and perhaps military pressure. Meanwhile, both the resulting unified Korea and its neighbors would have to face difficult security choices in a hurry.

Whether it happens fast or slowly, Korean unification is clearly a regional security issue, potentially a very divisive one. Just *how* divisive will depend on whether the current reasonably good relations among the Northeast Asian states fall prey to the suspicions, uncertainties, and genuine grounds for dispute that still haunt the region.

Enter the United States

One way to soften unification's divisiveness would be regional dialogue—the sooner the better, since Korean unification could happen "in a hurry." But there is no such

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As limited as it has been, the evolving Korean accommodation has already invoked fairly complex regional diplomacy involving the United States, Russia, and China, as well as the two Koreas.

dialogue, or even a forum in which it could occur. Northeast Asia's acrimonious history deprived it of the array of multilateral security institutions that grew up in Europe over the course of the Cold War. Thus while the United States could help form NATO in Europe, in Northeast Asia it had to settle for separate bilateral relations with Japan, South Korea, Taiwan, and, later, mainland China. "Multiple bilateral" relations became the Northeast Asian substitute for a multilateral security forum.

They still are. And although they now link virtually all powers, at their core sits the United States, still serving a crucial mediating and buffering role it has largely relinquished in Western Europe. In particular, U.S. security relationships with Japan and South Korea help dampen tensions between these two states. On key security issues like the Cambodian accords, arms transfers, and North Korea's purported nuclear program, the United States also has been better positioned than regional states to deal with Russia and China. If the United States wants an East Asia that is stable and focused on economic growth, the worst thing it could do would be to withdraw abruptly, abdicating its historic responsibility to help resolve these tensions.

The long-term U.S. security role remains uncertain. A surprising number of Asians want the United States to stay in the region and check its larger powers more or less permanently. The Bush administration had similar views. Last fall the Pentagon outlined a three-phased plan for reducing U.S. forces in Asia, but said nothing about a complete withdrawal. Rather, it expressed the U.S. intent to promote its "stabilizing presence in the region into the next century."

Such statements are probably not widely understood, much less supported, by the U.S. public, or, for that matter, by the Clinton administration, which has yet to clarify its strategy toward East Asia. America's strategic role and presence in East Asia will be decided by prolonged public debate in which no single document or elected official will be decisive. Barring the emergence of China or Russia as major threats, for example, U.S. forces now in South Korea will probably be withdrawn if and as tensions between north and south abate.

Withdrawing from Korea is hardly tantamount to withdrawing from East Asia, of course. Still, over the long haul, U.S. power in Asia will inevitably decline—indeed, it is already doing so, albeit from a very high plateau, as the U.S. defense budget and force posture shrink while China's defense budget rises. As time goes on, the United States will become less and less the dominant East Asian power, and more and more simply a key player in the region's multipolar system.

The circumstances demand increased precision and drive in U.S. strategy toward Northeast Asia. America cannot long impose regional stability by its mere presence; if it wants a stable and open Northeast Asia, it will have to help organize it. And the time to begin is now, when U.S. power and importance are high and regional states are on reasonably good terms with each other.

Korea in U.S. Strategy

Korea's centrality in Northeast Asia should give it a central role in U.S. regional strategy. The Korean unification process will absorb Northeast Asia's attention, ultimately for better or for worse. On the plus side, the unification pro-

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cess might provide leverage for launching and expanding a much-needed regional security dialogue leading, one hopes, to a new and more cooperative future for the region. But U.S. strategy must also hedge against the possibility that Korean unification will disrupt rather than help cement regional relations.

A good test of the plus side could start where the Korean accommodation is now stalled—the nuclear issue. Advocates have argued for some time that making Korea a "nuclear free zone" (NFZ) would relieve Pyongyang's incentives, and perhaps also those of a unified Korea, to acquire nuclear weapons. At the moment such an agreement might also restart the accommodation process. Even if Pyongyang believes that U.S. nuclear weapons have been removed from Korea, after all, it knows that the United States can return them quickly or simply fire nuclear-tipped cruise missiles from submarines. A U.S. guarantee not to use nuclear weapons in Korea would reassure Pyongyang without endangering South Korea, since sophisticated conventional weapons now handle what were once nuclear missions. But the United States can take such a step only if Moscow and Beijing make the same guarantee. Because Japan's commercial nuclear power and space programs give it the ingredients for a nuclear arsenal, Japan should also sign the agreement.

An NFZ agreement would thus explicitly recognize the link between Korean and Northeast Asian security. It would be signed by all four major regional powers plus the two Koreas, and the concluding ceremony would bring these parties together and call attention to their related security roles and interests. If it takes up the NFZ idea, the United States should push to make it a matter of regional discussions.

The same logic would apply to almost any further movement toward a Korean accommodation. Following completion of an NFZ agreement, for example, the Koreas should try to broaden the modest set of confidence-building measures—a nonaggression pact and an agreement to notify each other of impending military exercises—signed at the end of 1991. They could seek to back both country's forces away from the DMZ, for example, and ultimately to reduce force levels.

To the extent that the Koreas alone took such steps, however, they would be increasing their sense of security with respect to one another at the cost of *decreasing* their sense of security with respect to at least some neighbors—notably China, whose defense budget is rising. Thus, such measures should also extend to Korea's neighbors. In particular, China should be asked to thin army deployments near its border with Korea. Reducing Chinese forces along a border they share with Russia, however, would raise Sino-Russian security concerns. And Pyongyang, China, and Russia would probably be reluctant to reduce their forces without commensurate cuts in, or at least some control over the deployment of, U.S. and Japanese forces. Talks initially focused on forces deployed on the Korean peninsula thus could easily move into the broad area of regional arms control.

The United States avoided such agreements during the Cold War, arguing, among other things, that it would only negotiate from a position of strength. It is now strong, but is destined to get weaker, relatively, in the years ahead. It makes sense to try getting something in return for that decline—notably, constraints on the offensive capabilities and deployments of other regional states.

Agreements like these will require unprecedented levels of regional cooperation. Thus the United States must hedge against the possibility that cooperative efforts will fail, or, worse, that events on the Korean peninsula will spark regional conflict rather than cooperation. Handling further Korean accommodation and ultimately unification under these circumstances highlights the special importance of Japan and China in U.S. strategy.

At the moment, U.S. relationships with both South Korea and Japan help dampen tensions between these potential antagonists. Such tensions could even encourage nuclear proliferation, especially if the U.S. regional presence declines in the years ahead and U.S. forces are withdrawn from South Korea as the Koreas achieve further accommodation. This prospect makes U.S.-Japan security relations that much more important—a post–Cold War strategic mission (but one rooted in pre–Cold War conflict) that the United States might work itself out of, but probably not quickly.

Arguably a principal future U.S. strategic role in East Asia will be that of balancing Chinese economic and military power. The United States should assume until proven wrong that if China continues to grow militarily and economically it will achieve levels of power that regional states alone will not be able to balance, especially given constraints on Japan's power and freedom of action. This is another argument in favor of a solid U.S. relationship with Japan. And the need to balance China's potentially enormous economic power within Asia itself reinforces the prevailing U.S. preference for global as opposed to regional trade arrangements.

In the near term, China and the United States remain the two outside powers likely to be most directly involved in events on the Korean peninsula. U.S. and Chinese interests are more compatible now than they were in 1950, when the Korean War brought the United States and China to blows. But a wide range of differences still could surface if and as Korean unification proceeds. The sudden outbreak of violence or political turmoil on the Korean peninsula could easily become a bone of contention between these two powers. Whether or not Korea can be formally neutralized within Northeast Asia, the United States and China ought to discuss ways to neutralize the effects of events on the peninsula between themselves.

Now for the Hard Part

As limited as it has been, the evolving Korean accommodation has already invoked fairly complex regional diplomacy involving the United States, Russia, and China, as well as the two Koreas. If history is any guide, however, this remains the *easy* part of the Korean unification process. The going will get much tougher when the process moves beyond the nuclear issue, on which outside powers agree, to actual unification and Korea's future security alignments, which have always been contentious around the region.

It makes good sense to exploit Korea's centrality to test the power of cooperative forces in regional politics. But it makes no sense to proceed as if historical forces had been rendered irrelevant. The end of History in this region should be a pleasant surprise rather than the principal basis for strategy. ■

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CHRISTOPHER H. FOREMAN, JR.

AIDS AND THE LIMITS OF CZARDOM

WHY WE CAN'T "COORDINATE" AN END TO THE EPIDEMIC

Christopher H. Foreman, Jr., is a research associate in the Brookings Governmental Studies program. He is at work on Plagues, Products, and Politics: Emergent Public Health Hazards and National Policymaking.

In a New Jersey speech a few days before the presidential election last fall, then-candidate Bill Clinton promised, if elected, to appoint an "AIDS czar." The idea had acquired strong support. In its 1990 report, *America Living with AIDS*, the National Commission on AIDS had advanced the need for someone with the authority and responsibility to institute "a cabinet-level process to articulate the federal component of an HIV plan"and promote "interagency as well as state and local participation and coordination."

Defending the idea in terms nearly identical to those Clinton used in his October speech, and anxious to quash talk about exiling the czar to the Department of Health and Human Services, the New York branch of ACT-UP argued that a White House placement was essential. The position, said an ACT-UP letter, "requires the immediate attention [of] and direct access to the president, with special powers to coordinate, across all governmental agencies, the federal government's response to AIDS." After all, what good is a czar outside the palace?

Whether in the White House, the Old Executive Office Building, or elsewhere, we will surely have an AIDS czar. The new politics of homosexuality in general (and the looming trench warfare over the Pentagon's rejection of gay and lesbian service personnel in particular) made that a cinch. For Clinton, naming a czar is easy; failing to do so would be costly.

But what will this master coordinator achieve? The gut appeal of the concept is no mystery. The Acquired Immunodeficiency Syndrome is, after all, an authentic plague, a communicable (though not casually contracted) disease that has claimed over 170,000 lives in this country alone. HIV (human immunodeficiency virus) disease is indisputably rampant in parts of Africa and in many inner-city American neighborhoods. Even though the vast majority of Americans now appear to have only a vanishingly small chance of contracting HIV, the disease rightly occupies a prominent place at the center of the national health agenda.

But there is no ideal treatment or effective vaccine anywhere in sight, and large numbers of cases are yet to come. Moreover, resistance by moral traditionalists to more explicit AIDS education remains strong in many places. Thus, the yearning for some sort of policy breakthrough is palpable. It is an attractive (indeed, apparently immortal) notion that if only we had someone who could knock bureaucratic heads and harness all national efforts behind one "big push"—a "Manhattan Project" to find drugs and vaccines is another idea being tossed around—then we might make real progress.

The new czar is expected to achieve at least two things. The first, of course, is to give AIDS even higher political priority—to endow it with an even greater claim on resources and attention (especially of the presidential variety) than it now enjoys. Second, the czar should overcome, or at least ameliorate, the decentralization endemic in American policymaking generally (and in public health in particular) on behalf of a yet-to-be-developed national plan.

Maybe this will happen. Hope springs eternal. But lest we, and President Clinton, place too much faith in this strategy, let us consider some reasons to be wary.

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Research: A Matter of Guesses and Bets

In AIDS research, poor coordination isn't the core problem. Lack of knowledge is. Will having a czar make scientists more likely to solve the particular puzzle, or series of puzzles, necessary to yield safe and effective treatments and vaccines? The National Institutes of Health, the nation's primary repository of biomedical research funds and expertise, would seem to have had a czar of sorts already in Anthony Fauci, who wears two hats as head of the National Institute of Allergy and Infectious Diseases and associate director of NIH for AIDS research. It is hard to conceive of what additional power he, or anyone else, might be given that would offer a clear and reliable research payoff. That's not Fauci's fault. That's the way research is—a sophisticated series of guesses and bets about what may work and what may not. At the heart of research, after all, is *search*, not straightforward production.

Many Americans do not fully appreciate the distinction between bacteria, for which a plethora of effective antibiotics exists, and viruses, for which our national medicine cabinet has little to offer beyond a few limited herpes treatments. Unlike bacteria, viruses replicate inside host cells, and finding ways to destroy the invader in a way tolerable for the host remains one of the great challenges of modern microbiology. Despite the availability of three government-approved drugs (AZT, ddI, and ddC) to combat HIV infection, the bitter truth, recited in the recent Institute of Medicine study on *Emerging Infections*, is that we have never discovered a true cure for *any* viral disease.

Recognition of this cold fact is what pushed both Fauci and AIDS activists into calling for more research into the opportunistic diseases that actually kill people with AIDS. The czar might try to entice (with more money) or flog (with embarrassment or moral suasion) additional scientists into more work on these bacterias and cancers. But as AIDS activists have long, and justifiably, complained, many scientists seem to find these diseases less intellectually interesting, and less professionally rewarding, than HIV. Fauci virtually conceded as much three years ago when he announced the creation of a new pot of money targeted at opportunistic diseases because the existing National Cooperative Drug Discovery Group had received not a single application from a scientist proposing to study these diseases. On the other hand, some activists, such as John James, editor and publisher of the San Francisco-based *AIDS Treatment News*, decry the lack of attention to novel possibilities for arresting HIV itself.

One upshot of frustration on the research front has been agitation for more centralization *inside* the NIH. Congress has reauthorized the agency with a stronger Office of AIDS Research (OAR), headed by a director instructed to "ensure that AIDS research activities are coordinated across and throughout" the NIH in accord with "a comprehensive, long-range plan." The OAR director's budget could go to the president's desk without mandatory adjustment by either the NIH director or the secretary of HHS. One might view the opposition to this reform that emerged from the various institute directors as predictable given their threat-

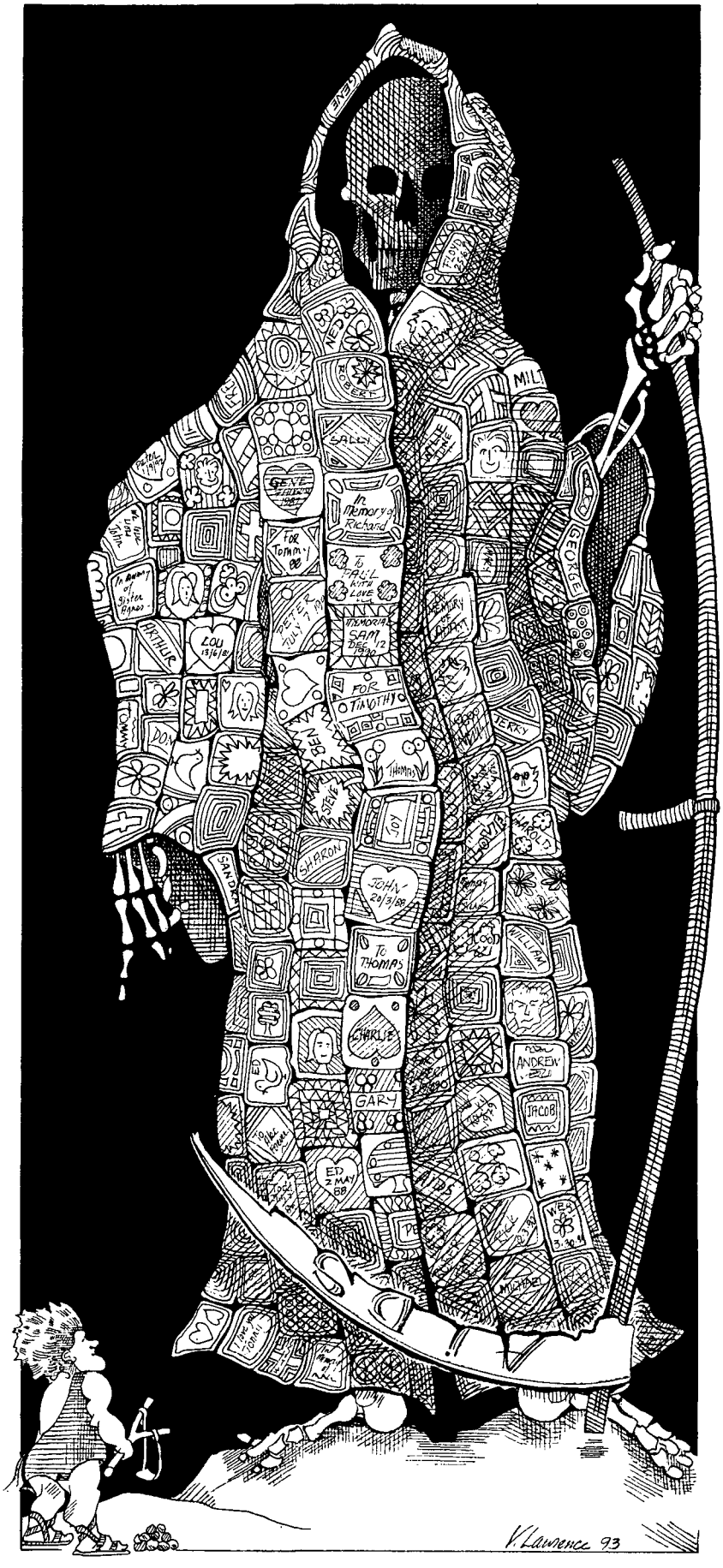

ILLUSTRATION BY VINT LAWRENCE

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ened institutional stakes. On the other hand, we do well to recall that a similar budgetary bypass crafted two decades ago for the "War on Cancer" wrought something less than a decisive victory.

Education: The Stumbling Block Is Sex

In AIDS education, poor coordination isn't the core problem. Limited knowledge and the intensity of moral sentiment are. The underlying key to many behavioral problems is simply that we don't know as much as we'd like about how to inspire different behavior. This is especially so when personal pleasure or self-interest inclines a target population in undesirable ways. Hence people suspecting that they may harbor HIV persist in donating blood specifically to discover the results of HIV testing. Some questionable donors appear, on the one hand, to be able to define high-risk behavior, while, on the other, excluding themselves from the category of high risk.

In his memoirs, former Surgeon General C. Everett Koop writes about having "targeted teenagers with clear, explicit, repetitive messages about AIDS and other sexually transmitted diseases [in 1987], only to find the next year that infectious syphilis and penicillin-resistant gonorrhea among fourteen- to seventeen-year-old teenagers climbed at rates not seen in the previous fifteen years." Virtually everybody has heard that smoking cigarettes, driving while intoxicated or without a seatbelt, injecting heroin, and eating large quantities of saturated fat are all undesirable. And yet varying fractions of the population can be counted on to continue doing all of these things no matter what a government czar might say or do to stop them.

Moreover, the czar is bound to have a very difficult time getting resistant local authorities—not all of them captured by unsophisticated rural moralists, as everyone who has faithfully followed New York City school politics will know—to embrace forcefully explicit AIDS education. Insistent repetition by the enlightened notwithstanding, AIDS is not just about health. Like birth control, abortion, and the classic venereal diseases (all of which we might prefer to view purely in "health" terms), AIDS is also an issue unavoidably bound up with sex.

Health Care: Not Much Money, Not Much to Buy

In AIDS-related health care, the central problem is not poor coordination, but the lack of money and effective treatments. Big-city public health care, never in great shape to begin with, has been hammered hard by AIDS. In 1990 Congress responded with the Ryan White CARE Act, essentially a series of big, but modestly funded grant programs. Fiscal year appropriations started at $276 million (out of some $880 million authorized), with an increase to about $348 million slated for 1993 under the Bush budget. President Clinton proposed an additional $200 million as part of his ill-fated fiscal year 1993 stimulus package and a total of $658 million for fiscal year 1994. The extra funds would help (assuming that congressional appropriators go along), and they make sure that state and local health officials know that a new wind is blowing in Washington. But because research has progressed so slowly, the care that is delivered is bound to seem inadequate, whatever the increase in funding.

Already Centralized and Coordinated

Advocates of an AIDS czar overlook the considerable organizational transformation that has already taken place in Washington. Neither the NIH nor the Food and Drug Administration (product recalls aside) was ever intended to be a mechanism of quick response to a sudden public health emergency. To the extent that these agencies were slow to respond to AIDS, their original public mission largely explains why (although the Reagan White House, specifically, bears responsibility for much foot-dragging).

The NIH developed as a decentralized set of institutes accustomed to giving the outside scientists who review grant applications and receive funding plenty of intellectual leeway. The scutwork of responding to immediate disease outbreaks was off the scope. (Alexander Langmuir, formerly the chief epidemiologist for the Centers for Disease Control and Prevention, recounts that as the CDC was developing its postwar mission of assisting the states in disease prevention and containment, the NIH was asked if it wanted the task of providing help against epidemics. "Certainly not," the agency answered, "only the interesting ones.")

AIDS IS NOT JUST ABOUT HEALTH. LIKE BIRTH CONTROL, ABORTION, AND THE CLASSIC VENEREAL DISEASES, AIDS IS ALSO AN ISSUE UNAVOIDABLY BOUND UP WITH SEX.

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ALONG WITH EVEN MORE RESEARCH AND TREATMENT FUNDS, PRESIDENT CLINTON COULD GIVE HIS SURGEON GENERAL NEW MARCHING ORDERS TO BE MORE AGGRESSIVE ON THE AIDS EDUCATION FRONT.

Until recently the FDA's biggest fear was of being blamed for another thalidomide-like catastrophe. But now, as a result of lobbying, protest, and organizational leadership, the structures, procedures, and priorities have changed. A good deal of centralization and coordination, formal and informal, are already in place inside HHS. The main obstacle preventing the FDA from approving more AIDS drugs is that few are submitted for approval.

What If Someone Disagrees with the Czar?

Inevitably, the czar will be undermined. The people who reminded us most forcefully of how attractive (and occasionally fruitful) maverick effort can be were those activists whose grassroots insurgency in drug research led to the regulatory approval of aerosolized pentamidine for HIV-related pneumonia. AIDS activists who want a czar seem to assume either that others (that is, bureaucrats and business firms) will bear all the costs of centralization, or that the czar will be someone over whom they can wield influence. But suppose, say, that the czar was inclined (on behalf of the larger "public interest," to be sure) to restrict the importation of unapproved drugs for personal use, rescinding a policy victory dear to the hearts of activists. Would ACT-UP agree to toe the line and forgo militant protest if the czar were to move in ways the group found inconvenient or otherwise disagreeable? Given the group's strong ethic of personal and collective empowerment (and, I think it fair to say, some measure of alienation from established authority), one doubts it.

And assorted activists are not the only problem. HHS officials aside, one can envision numerous state and local politicians opposing the czar on any number of matters. The czar may also try to address recurring complaints about redundancy in AIDS research. In light of the sums of federal money being spent (in excess of $1 billion), it is hard to imagine that this isn't something of a problem. It would be interesting, though, to see what reforms the czar might propose to deal with this, how a newly bolstered OAR would react, and how well the reforms would work once politically well-connected scientists found their work branded redundant.

When You Can't Take the Heat, Get a Czar

Presidential czars are often mainly devices for deflecting political heat rather than making substantive progress. As long-time White House aide Bradley H. Patterson noted in *The Ring of Power*, his book on presidential staffs:

"When an overwhelming problem lands in the president's lap, his easiest reaction is administrative; he can create a White House 'czar' to deal with it. Neither legislation nor confirmation need be wrestled through Congress, little money is involved, and a suite can always be found in the Executive Office Building next door. . . . Don't mention that the problem against which the czar is aimed may be incurable by administrative fixes anyway. A czar conveys the flavor of action, will be publicized as the superman."

The Real Czar

Is there anything at all the new AIDS coordinator can accomplish? Well, yes. Primarily that person can prod and prime the real czar: Clinton. The president, AIDS activists, and the AIDS Commission are quite right that White House leadership on AIDS has been weak over the past decade. After all, had Presidents Reagan and Bush attempted much beyond a quiet escalation in research funding (and the "fast track" drug approvals attractive to business and activists alike), they would have faced right-wing political headaches.

Along with even more research and treatment funds, President Clinton could give his Surgeon General new marching orders to be more aggressive on the AIDS education front. He could also use television, perhaps a version of the "town hall" format he has so clearly mastered, to keep the disease visible, to hector against discrimination, and to keep his regular health appointees publicly on notice that he is personally committed to the fight. (We are probably not, however, as a country, ready for a president who openly proselytizes for condom use.)

In short, with a small investment of courage and concern, Clinton could turn out to be his own AIDS czar. The good things a czar can do, a president can do better. ■

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Race and Urban Poverty

COMPARING EUROPE AND AMERICA

Margaret Weir

In the past decade, a new specter has haunted Europe. The intertwining of race and poverty, once considered a distinctively American problem, has become a European concern as well. In the face of racial conflict and ethnic disadvantage, the press and some politicians have warned that Europe's cities are developing American-style ghettos populated by ethnic minorities cut off from the mainstream of social and economic life.

No one contends that Europe's cities today face the extremes of ethnic and racial segregation, violence, and poverty that blight American cities. But many fear that Europe is on the same trajectory as the United States, only a decade or so behind. And they have cause for concern.

Racial ghettoization does not "just happen." National political arrangements profoundly affect the way people and economic activity are organized spatially, either uniting or dividing people of different income levels and races. In the era after World War II, the forces shaping the way groups and economic activities sorted themselves out on the local level established distinct metropolitan spatial patterns in the United States, Britain, and France. American political structures invited extreme segregation within cities and the suburbanization of the white working and middle class, while British and French political structures tended to allow more mixing by race and income. But the sorting out was not immutable. Policy responses in the United States, Britain, and France since the late 1970s have influenced the development of concentrations of poor ethnic and racial minorities in each nation.

Margaret Weir, a senior fellow in the Brookings Governmental Studies program, is working on a book on race and poverty in the city. This article is drawn from a paper prepared for the Training and Research Workshop on Race, Ethnicity, Representation, and Governance, sponsored by the Harvard University Center for American Political Studies.

Are France and Britain now "10 years behind the United States"? In some ways the similarities are striking. Government promotion of homeownership and the ensuing suburbanization of the middle class, which took off in the 1950s in the United States, were simply delayed for a decade or so in Britain and France. Over the years poor minorities have become more concentrated in public housing in Britain and France. Likewise, the construction of highrise public housing has generated similar problems in all three nations.

Yet important differences in the design of housing policies and continuing distinctions in the political factors that shape population movements suggest limits on the process of "Americanization" in Europe. Despite significant policy changes during the 1980s in both Britain and France, neither is likely to develop the scope or the intensity of ghetto poverty seen in the United States.

America's Cities: Shaped after World War II

The political feature that most distinguishes the United States in the shaping of metropolitan spatial patterns is the power of local governments. Although municipalities in the United States lack formal constitutional recognition—they exist at the discretion of state governments—they exercise substantial powers. Among the most important is control over land use. Through zoning and other measures formally meant to ensure local health and safety, localities determine what kinds of people can live and what kinds of businesses can operate within their borders.

Not only are municipalities powerful, they are rel-

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atively easy to form. Areas often split away from existing jurisdictions to form new ones. By contrast, expanding existing jurisdictions, by way of annexation or consolidation, is usually much more difficult. And chief among many incentives to form separate political jurisdictions is the importance of local property taxes in financing public schools.

Precisely those features of American local political organization hailed by public choice analysts as allowing local residents to choose the mix of services and taxation they most desire—the organization of social policy, the power of local government, and the ease of forming separate political jurisdictions—provide powerful incentives for whites to separate out by income and by race.

Rather than counterbalancing local fragmentation, the federal government has reinforced it. Washington has supported suburban life by building highways, promoting automobile use, and subsidizing private homeownership, especially through the favorable tax treatment of mortgages. It has also engaged in practices that encouraged racial exclusion. Most significantly, until the late 1960s it sanctioned discrimination in housing markets by promulgating rules preventing blacks from receiving mortgages insured by the Federal Housing Administration.

Similarly, bowing to local opposition to subsidized housing that might promote integration, the federal government predicated its housing policies on local acceptance. Public housing, launched during the 1930s, remained a small program targeted on the very poor. Publicly subsidized housing currently comprises only about 4.5 percent of the U.S. housing stock. The opposition of the building industry to public spending in this area and the local option to accept or reject subsidized housing kept it in the cities—and out of the suburbs. Crucially, public housing was also racially segregated, ensuring that public housing for African Americans would be located in the already crowded and deteriorating inner city.

Together, the power of local governments and the federal underwriting of decentralization carved metropolitan areas into distinct jurisdictions defined by income and race. In this process of metropolitan fragmentation, cities were disproportionately left to shoulder the burden of metropolitan poverty. In addition, fragmentation spurred interlocal competition to attract well-off populations and business. Cities, increasingly, were the losers in these contests.

Together, the power of local governments and federal underwriting of decentralization carved U.S. metropolitan areas into distinct jurisdictions defined by income and race.

From Bad to Worse

Policy changes in the 1980s drove deeper wedges between cities and suburbs and made it increasingly difficult for cities to address the deepening poverty within their borders.

Since the 1950s, several federal government programs had cushioned the spatial inequalities that accompanied the suburban exodus. The urban renewal program helped local governments underwrite major physical renewals of their central business districts. In the 1960s, Democrats undertook new urban programs, such as Model Cities, that focused on improving the quality of life for poor urban residents. The creation of the Department of Housing and Urban Development in 1965 signaled the special place that urban aid would have at the federal level. With the election of Richard Nixon in 1968, assistance for poorer localities continued as a legitimate federal government responsibility. No-strings-attached revenue sharing and Community Development Block Grants enacted under Nixon used different approaches but reflected a similar sensibility that localities, and especially cities, required special aid from the federal government.

Until the 1980s, helping cities was good politics for Democrats. The urban vote, together with southern Democrats, had been the electoral core of the party since the New Deal. The dominance of urban interests within the party as a whole was clear in Congress, where Democrats from suburban areas in the North voted heavily in favor of aid to cities.

Demographic shifts during the 1980s contributed to the political eclipse of cities, however. In 1960 the nation's population was evenly divided among cities, suburbs, and rural areas. By 1990, both urban and rural populations had declined, with cities becoming poorer and more heavily composed of minorities. Nearly half the nation lived in the suburbs. The terms of partisan competition did not take long to register these changes. Republicans mobilized a distinctive suburban political identity. During the 1960s and 1970s central cities and suburbs in the North and Midwest had tended to vote in similar directions; by 1980 the suburban and urban vote had split sharply, with cities remaining the only Democratic stronghold.

The declining political importance of cities was reflected in the abandonment of many federal urban programs. The only programs totally eliminated during the 1980s were those that particularly benefited cities. In 1981 Congress ended the Comprehensive Employment and Training Act, which cities had used (unofficially) to bolster the ranks of their employees. General revenue sharing, which provided extra funds for localities, ended in 1986. Urban Development Action Grants were eliminated and subsidized housing severely cut. Overall, grants for cities were cut almost in half.

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Cities fared only slightly better at the hands of the states. Long dominated by rural interests, state governments instituted reforms during the 1960s and 1970s that equalized urban representation. But by that time, suburban influence overshadowed the cities in many statehouses. Although some states compensated cities for the withdrawal of federal aid in the 1980s, others took only limited steps or actually worsened cities' problems. State legislatures often rejected urban efforts to raise local taxes. States did little to guide the development that continued to spur the exodus from the cities, nor did they do much to improve possibilities for regional cooperation across city-suburban boundaries. Toward the end of the decade, recession-strained state budgets were simply unable to provide significant aid.

The Struggle to Survive

Cities were left alone to bear the twin burden of needy populations and a precarious economic base. To attract private development, urban leaders offered tax abatements and other incentives, in the process heightening interjurisdictional competition, draining future tax revenues, and reducing the scope for local public action. Other strategies, such as forming special taxing authorities within cities (with a variety of names such as Business Improvement Districts), further fragmented the public tax base.

The intergovernmental transfers that had helped sustain cities during the 1960s and 1970s represented a national recognition of the special fiscal burden cities carried because of the concentrations of poor within their borders. For the most part, the transfers did not directly serve the urban poor, or even appreciably stem the flight to the suburbs, but they did provide a cushion that allowed for high levels of public services such as libraries, police protection, and infrastructural maintenance to improve the quality of urban life. As these funds dried up, cities compensated by attracting private investment, often relying on tax abatements. This strategy increased private wealth in cities, but it precipitated a deterioration of urban public services that undermined efforts to rebuild an urban middle class and to stem the further decline of the poor.

Changes in industrial structure and the location of industry have also exacerbated the burden and political isolation of cities. The revolution in information technologies combined with the lack of metropolitan planning to deconcentrate economic activity. As new businesses and commercial centers appeared in suburban "edge cities," the connections between city and suburb further attenuated. In a recent poll, 51 percent of metropolitan New Yorkers said that events in the city had hardly any effect on their lives.

The story of social policy decentralization, the reduction of federal aid to cities, and the divisions between cities and suburbs can all be told without mentioning race. But the preexisting concentrations of poor minorities in cities meant that each of the policy decisions discussed above had racially targeted consequences. It also meant that racial concerns and conflicts would affect the fate of any proposed solutions to cope with urban poverty.

Britain's Cities: A Different Mix

In Britain, limited suburbanization and a vast public housing sector created quite different patterns of metropolitan development and population movements. County governments used their regional planning powers to restrict suburbanization at the same time that the central government underwrote public housing. Whereas the United States had sought to meet postwar housing needs by underwriting suburban homeownership, Britain rebuilt the housing stock with public housing. By the end of the 1970s, a third of British households lived in "council housing." The very size of the British public sector made some level of income mixing inevitable.

And council housing was not solely confined to the city. Most early postwar development was in the form of small units built in "new towns" well beyond areas of existing settlement. During the 1960s the government redirected public housing to the cities to combat suburban sprawl and deteriorating urban living conditions. Here, both spatial constraints and architectural fashion favored the highrise project. For the most part, the middle-class suburban boroughs of outer London were able to limit the amount of council housing built in their areas.

By the early 1980s, 43 percent of London's council housing was concentrated in poorer inner London, but 29 percent was still in the central business district and 23 percent in outer London. Compared with the United States, economically disadvantaged populations were still much more dispersed.

Britain's postwar sorting of populations did have some negative consequences for racial mixing, but it did not create sharp racial segregation. Initially the system for allocating public housing (one element of which was length of tenure in the borough) worked against members of racial minorities, most of whom were recent immigrants. Although this discrimination was substantially remedied by the Race Relations Act of 1968, minorities had missed out on the council housing built outside the central city. Minority populations therefore tended to concentrate in the inner city.

Yet the extent of segregation within the cities was tempered by integrated public housing. Because there were no preexisting racial ghettos, public housing was sited without racial considerations in mind. Much public housing was built in working class districts, which were not racially defined. Moreover, with the less favorable tax treatment of homeownership and without the abundance of financing that encouraged suburban homeownership in the United States, most of Britain's working class was not able to make its suburban exodus until the 1970s.

The lack of local government autonomy also stemmed the impulse to fragmentation and movement. In the highly centralized British political system, local authorities exist at the pleasure of the central government. Local authorities have access to only one independent source of revenue, the property tax, or "rate," which until recently was levied on property owners and businesses. Because local governments have so little autonomy and discretion in financing, the dynamic of interlocal competition so central in the

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United States is far less evident. Throughout the postwar era, British cities remained poorer than their surrounding suburbs, but they continued to house a significant part of the British working class.

Moreover, the central government redistributed resources to reduce territorial inequalities. Most local expenditures were financed by the centrally provided rate support grant, calculated in part on the basis of local need. An "inner city" policy, modeled after that in the United States, offered special assistance to the poorest areas.

A Decade of Thatcherism

Prime Minister Margaret Thatcher's new brand of Conservative politics put an end to the postwar consensus. Her government reduced the equalizing role of the central government and left localities more on their own and less able to cope with the rising needs of their citizens. The government reduced the central grant and made it less redistributive. It limited the rates that local authorities could levy, thus hampering local efforts to compensate for the central government cutbacks. And Thatcher created new policymaking bodies to promote economic development, for example removing the power to undertake urban regeneration from local authorities and granting it to private Urban Development Corporations.

The 1980 Housing Act allowed council housing tenants of three years standing to buy their units, a measure that proved one of the most popular of Thatcher's administration. By 1990 one-fifth of the council housing stock had been sold to tenants, though most sales were in suburban areas, and very few in the inner city. Sales patterns followed existing lines of division and thus did not increase racial or income segregation. But reductions in expenditures on maintenance and construction of public housing have reduced its quality, making it less desirable than in the past. In addition, local authorities have often concentrated racial minorities in the worst of the deteriorated housing estates. Although levels of racial segregation do not approach those of the United States, the large dilapidated housing estates located in the British inner city and the urban periphery most closely resemble the isolation and hopelessness found in America's poor urban neighborhoods.

Although a decade of Thatcherism has transformed British politics in ways that will make it harder to assist disadvantaged areas, existing structures of policy and politics in Britain nevertheless hampered the government's ability to impose losses on poor places. Because localities can raise revenues only from the property tax, rich Conservative authorities joined poor Labour ones in opposing drastic reductions in the central grant. Unlike American middle-class localities that can make up for withdrawn central funds by raising local taxes or fees, all local authorities in Britain still depend heavily on central government support.

This dynamic led to the repeal of Thatcher's proposed "poll tax," opposition to which was central to Thatcher's resignation in the fall of 1990. The poll tax, proposed in 1986, would have replaced the local property tax by an equal tax levied on each voter, with the amount to be decided by the local authority. It replaced the local business rate with a uniform rate to be collected by the central government. A far more regressive tax on individuals, the poll tax would have sharply limited revenues of poorer localities. The new tax aroused enough opposition in Conservative constituencies to provoke a party revolt. Under Prime Minister John Major the poll tax has been replaced by a council tax, which promises fewer disadvantages for poor places.

> A decade of Thatcherism has transformed British politics in ways that will make it harder to assist disadvantaged metropolitan areas.

The strong role of the central government has made it harder for British leaders simply to ignore the problems of the inner city. Throughout the 1980s, the Conservative government experimented with a string of policies aimed at revitalizing cities. Although these programs have redirected urban policies toward economic redevelopment, they have kept the problems of cities prominent on the national agenda, in striking contrast to the United States.

The Urban Landscape in France

In France, population sorting after World War II was even more centrally directed than in Britain. After an initial emphasis on industrial development, the central planning agency, the Commissariat Général du Plan, turned to housing. As in Britain, decades of depression and war had left a dilapidated and meager housing stock, and the French government looked to the fastest and cheapest means possible to address the problem. In the Parisian metropolitan area, this meant massive high-rise housing projects on new sites outside the city.

HLM housing, as the public housing program was called, came to serve 14 percent of the French population, far less than in Britain, though much more than in the United States. The suburban housing estates were conceived as workers' lodgings, located near (and often subsidized by) industries in the Parisian suburbs. As in Britain, rules governing access to public housing initially worked against immigrant racial minorities. In fact, HLM housing tended to serve the middle and lower-middle classes rather than the very

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poor, who lived in private rental housing in city slums.

By the 1970s, however, HLM housing had been opened to immigrant racial minorities, and the proportion of immigrants in HLM housing reached 30 percent in some estates. At the same time, national programs to promote homeownership prompted the exodus of many middle-class families from HLM housing.

During the 1980s, the French Socialists, with political aims and a constituency far different from that of Thatcher, also introduced sweeping changes in central-local relations. Their aim was to produce more local democracy and enhance local public powers.

Local government in France, as in the United States, is fragmented into many small units. Although the central government has the formal authority to reduce the number of units, in practice the penetration of central power by local authorities (who are allowed to hold multiple offices simultaneously) has blocked territorial rationalization. The central government exercised power over this fragmented political terrain through the departmental prefect, whose approval was necessary for most local actions.

Through a new system of block grants and the devolution of some social responsibilities to lower levels of government, the Socialists gave localities much more autonomy in urban planning and in allocating spending. Not surprisingly, however, well-positioned localities used their new autonomy to attract investment and enrich the local tax base, while poorer localities had to levy higher taxes and cut back on services. And an overall decline in public spending in France during the 1980s exacerbated these differences.

The myriad development decisions of local governments replaced the strong central hand that once allocated economic activities and populations among different regions and within metropolitan areas. And the central government's postwar power of siting social housing was sharply curtailed, while the local power to reject such housing, or to resist undesirable tenants, grew considerably. The least powerful and least well-off localities ended up with more social housing.

In response, the Socialists passed a series of laws aimed at reversing the new inequalities. One law transfers resources from rich localities to poorer ones. Another obliges localities to pay a penalty if they refuse to accept a certain percentage of social housing for the poor. A third seeks to remedy the housing problems of the extremely poor by helping them pay back-rent. Finally, the central government enacted a new minimum income financed by the central government for those not covered by existing social assistance. The new "Revenue Minimum d'Insertion" seeks, as its name implies, to insert the poor into French society by providing financial resources in exchange for which recipients seek work or training.

Many of the inequalities that the French government has sought to combat are closely linked to fears of developing American-style ghettos. In contrast to the short-lived shock experienced in the United States after the Los Angeles riots last year, the disturbances that have sporadically rocked French suburban housing projects since 1981 have provoked a national soul-searching about French identity. Government action has been aimed at preventing the consolidation of separate ethnic and racial communities.

The Socialist government has sought to combine the benefits of decentralization—greater local democracy, freeing of local economic initiative, and the reduction of central government responsibility for administering austerity—with a commitment to equalizing the territorial distribution of economic resources. By most accounts, the growth in the number of elected officials has not invigorated local democracy; it has merely increased the power of local notables. As such it introduces a dynamic into French politics familiar to Americans: representatives of localities with different resources may interpret not only the local interest but also the national interest quite differently. The changes introduced by decentralization have created political forces that may challenge equalization efforts now that a conservative political coalition has replaced the Socialists.

Building National Community

Concentrated, racially identified poverty presents a formidable challenge for liberal democratic regimes. The existence of such sharp racial and economic divisions has fostered a kind of "defensive localism" that corrodes any notion of a national community. The central challenge facing political leaders who wish to build national community in racially and ethnically diverse societies is to recreate a sense of common fate. To do that, they must understand how public policies and political institutions are contributing to the racially identified divisions that now form the subtext of politics across the West. Governments cannot erase social differences, but they can use policy to reduce the economic and political importance of such divisions.

The central task for policy is to reconnect the poor to the sources of vitality in the economy. Politically feasible starting points would fold initiatives for the poor into policies that also address the concerns of other sectors of society. Political leaders and policymakers must look for those points of connection and bear them in mind when making policy. That task is politically easier in the more centralized context of European politics, although it may be more culturally difficult in these once racially homogenous nations. In the United States, where long experience with ethnic diversity sits uneasily with a history of racial exclusion and a celebration of political localism, the political task is difficult indeed. But there are some possible points of departure, which include: dissatisfaction with the environmental consequences of deconcentrated patterns of metropolitan development, emerging strains in suburban public budgets, the growing needs of employers for better-educated entry-level workers, and the widely felt problems of combining work and family. The political structures and policies that have helped create concentrated racial poverty will not be easily or comprehensively transformed. But federal and state political leaders do have the power to initiate changes that will provide a foundation for asserting a broader collective interest in American political life. ■

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TARGETING THE INNER CITIES

THE NEXT WAR ON DRUGS

John J. DiIulio, Jr.

A Book Review Essay

The Nixon administration began the first of many federal wars on drugs, each growing progressively more ambitious and expensive. That waged by the Reagan and Bush administrations was the most aggressive and costly of all.

Between 1980 and 1989, the number of adult arrests for illegal drug sale or manufacture increased from about 103,000 to more than 404,000 a year. Arrests for illegal possession increased from about 368,000 to more than 843,000. Meanwhile, between fiscal 1980 and fiscal 1990, federal spending for drug control rose (in constant dollars) from $1.5 billion to $6.7 billion.

Much of that money went into building and operating prisons. From 1980 to 1990 the number of drug offenders behind bars doubled. The fraction of the corrections population serving sentences for possession or sales of illegal drugs rose from about 23 percent to 54 percent for federal prisoners, from roughly 10 percent to 20–25 percent for state prisoners.

During the Reagan-Bush era, Congress passed a crime bill with drug-control provisions almost every election year. State and local governments too passed successive waves of get-tough drug-control legislation. In the summer 1992 issue of *Daedalus*, Rand Corporation analyst Peter Reuter estimates that in fiscal 1990 state and local governments spent some $18 billion on drug control; the federal government, $10 billion. About three-quarters of every drug-control dollar was spent on law enforcement.

All the drug wars enjoyed strong bipartisan support. Between 1972 and 1992, every major opinion survey on drug control showed overwhelming public support for get-tough measures. Majorities of every race and income class remained adamantly opposed to drug legalization.

But is the nation's drug problem more or less acute today than it was in 1980, and what, if any, role did the war on drugs play? Most experts agree that far fewer Americans use drugs today than did in the early to mid-1980s. They also concur that there has been a small but significant decline in the number of drug abusers—those whose frequent or reckless drug use results in serious problems for themselves or others.

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The glaring exception to these trends is the inner-city poor. As Reuter observes, drug abuse "is increasingly concentrated in inner-city populations and appears to be disproportionately a problem of the minority community, particularly inner-city, young, African-American males. Drug use apart, inner-city communities have been much more affected by the violence and disorder surrounding drug distribution."

Likewise, in *Reckoning*, Elliott Currie, of Berkeley's Institute for the Study of Social Change, argues that America now has two drug problems. One, that of the well-to-do, "has been steadily decreasing for many years, for reasons unrelated to the drug wars." The other, that of America's have-nots, "has grown malignantly in the face of the drug war."

Although the survey data on drug use are spotty, hardly anyone doubts that the inner-city drug-and-crime crisis has gotten worse. But has the war on drugs done more to mitigate or to create this crisis? If, as Currie and others insist, the war on drugs deserves no credit for the downturn in drug use in the general population, does it somehow deserve nothing but blame for the ruinous condition of our inner cities? If more get-tough law enforcement is to be ruled out, what should be ruled in? Supply-reduction initiatives? Demand-reduction programs? Legalization?

How the Clinton administration answers such questions may determine how the U.S. fights, and whether it wins or loses, the next drug war.

RECENT WORKS ON DRUG POLICY FEATURED IN THIS ESSAY

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Mathea Falco, The Making of a Drug-Free America: Programs that Work. Times Books, 1992.

Mark A. R. Kleiman, Against Excess: Drug Policy for Results. Basic Books, 1992.

Sam Staley, Drug Policy and the Decline of American Cities. Transaction Publishers, 1992.

Robert Stutman, Dead on Delivery. Warner Books, 1992.

Can the Supply of Drugs Be Controlled?

In *The Making of a Drug-Free America*, Mathea Falco, the Carter administration assistant secretary of state for international narcotics matters, argues that the war on drugs has cost too much and done too little to reduce drug abuse and drug-related crime. Instead, she calls for new demand-reduction policies inspired by drug "programs that work"—prevention programs for school children, treatment programs for addicted criminals, education programs sponsored by corporations, and take-back-the-streets programs forged between neighborhood groups and local police. She predicates her case on the alleged failure of U.S. supply-control efforts, international and domestic.

She cites, for example, the Nixon administration attempt to stop the supply of heroin from Mexico and Turkey. Although the estimated number of U.S. heroin addicts dropped from 550,000 to 400,000 during the late 1970s and although by 1980 Turkey was no longer a supplier and Mexico's share of the U.S. heroin market had fallen sharply, suppliers in South and Southeast Asia soon took over. Heroin was once again readily available in the United States by 1982. Likewise, when the Reagan administration slammed the door on international marijuana smugglers, domestic producers increased production.

Many drug legalization advocates have tried over the years to cast U.S. supply-control efforts as the drug-war follies—and with better arguments and evidence than Falco musters. But Falco's timing couldn't be worse.

In 1992 barely 6.5 percent of the federal drug-control budget actually went to bilateral or multilateral supply-reduction programs—and worldwide production of opium poppy, coca, and cannabis is demonstrably on the rise. In 1991 cocaine production in Latin America grew some 85 tons. In Eurasia and many other parts of the world, drug production is exploding.

In the winter 1993 issue of *The Brookings Review*, the U.S. Coast Guard's Stephen Flynn cited the urgent need for a U.S.-led international response to the surge in the global narcotics trade. "Even if a national strategy to combat the scourge of drugs were to succeed at home," he argued, "Americans would still face . . . a flourishing drug trade overseas."

Falco to the contrary, some supply-reduction efforts work, if only temporarily. The key questions are which efforts work best under what conditions, and how much do they reduce the supply of drugs on U.S. streets?

In his contribution to *Drug Legalization*, UCLA professor James Q. Wilson concedes that the Nixon administration's measures against heroin from Mexico and Turkey were ultimately defeated by alternative sources of supply. But he reminds us that the three-year heroin shortage wrought by these measures interrupted the easy recruitment of new users—and discouraged old ones. For example, most Vietnam veterans who used heroin in Southeast Asia, where it was readily available, gave it up when they got home.

If Falco's position on supply-control gets read into

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Clinton administration drug policy, I have two not-so-brave predictions. The supply of drugs on U.S. streets will grow. And the domestic and international political fallout from the U.S. withdrawal will force a sudden policy reversal and cause a one-time budgetary windfall for the Drug Enforcement Agency.

Demand-Reduction Programs That Work

Falco's understanding of drug policy is based on three non sequiturs. First, most international supply-control initiatives don't work, so some domestic demand-reduction programs must. Second, get-tough domestic law enforcement has not eliminated the inner-city drug-and-crime problem, so it should be abandoned as futile. And, third, legalization would increase drug abuse and fail to eliminate drug crime, so this "intriguing" idea is and ought to remain entirely beyond the policy pale. Let's take them apart one at a time.

For all the rhetoric about how "punitive" the drug wars have been, the undetected, unprosecuted, and unpunished drug-related crime in this country remains staggering.

Falco's discussion of "programs that work" leaves the impression that hardly any successful programs have a Republican pedigree or were born of the drug wars. But in fact, to the limited extent that George Bush had any passion for domestic policy, he believed in a strong federal role in reducing drug abuse and crime. When William Bennett, the controversial and intellectually feisty former secretary of education asked Bush for the drug czar job, he got it. The Bush-Bennett effort, recalled in Bennett's *The De-Valuing of America*, included record spending for drug treatment, education, and prevention programs. In fact, in constant dollars the Reagan and Bush administrations nearly quintupled the budget of the federal prison system's state-of-the-art drug treatment program, which benefits thousands of inmates through education, counseling, and aftercare.

On this score, Falco is actually behind the programs-that-work curve. She asserts that treatment opportunities in the criminal-justice system are scarce and that most prison-based drug treatment programs are ineffective.

Unfortunately, that conclusion applies far better to the other programs Falco champions as the solution to the drug problem. There is virtually no solid empirical evidence that successful drug education, prevention, and treatment programs can be duplicated widely or with predictable consequences. For drug treatment programs, especially, success often depends on the lucky accident of caring and competent providers, whose talents, energies, and ethics cannot be cloned by policy fiat, however well-intentioned.

Falco seems to know this, but not well enough to keep from making the wishful assertion that "a drug-free America is within our grasp" because "we have learned how to reduce demand successfully."

Still, there is every reason to experiment broadly with drug treatment, education, and prevention programs. We might even want to tackle the untold fiscal and administrative burdens of providing "treatment on demand" as called for in the "Clinton-Gore Crime and Drugs Plan," starting with the more than 3 million felons now serving sentences in the community under probation or parole supervision.

In no case, however, should hopeful experimentation with demand-reduction be used as an excuse for abandoning supply-control initiatives.

The "Get-Tough" Approach

Falco echoes the drug war critics' party line on the futility of get-tough anti-drug law enforcement. Currie goes farther. Not only does he declare that the failure of the "punitive" drug wars is "devastatingly obvious," but he also rejects all "traditional strategies" (law enforcement, treatment, legalization, border policing, international interdiction). For him the only hope is a complete overhaul of our cities' social and economic structures—a program of expanded public infrastructure investment, tax reform, and health and welfare reform that would, if enacted, make the Great Society look like a rider to a National Monuments Service appropriations bill. Nobody supposes that we can or should arrest and incarcerate our way out of the inner-city drug-and-crime problem. It's clear that joblessness, welfare dependency, illiteracy, and drug abuse cannot be solved mainly or solely by the criminal-justice system. And as I argued in 1989 in *The Public Interest*, inner-city crime breeds poverty just as poverty breeds crime.

But simply as a matter of logic, it is hard not to suppose that if we make the penalties for drug crimes more swift, certain, and severe, then fewer such crimes will be committed. If crime doesn't pay, and would-be criminals know it, then we will have less crime.

As bad as the incidence of drug-related inner-city crime has become, it would almost certainly be much worse were it not for the law enforcement component of the war on drugs. For example, Wilson cites studies that found a reduction in heroin use among young blacks in Harlem: when the youths were asked why they stopped, "more than half answered 'trouble with the law' or 'high cost' (and high cost is, of course, directly the result of law enforcement)."

Even Reuter, who, like Falco and Currie, opposes "punitive" U.S. drug policy, estimates that it removed about 450,000 drug users "from the population that might be involved in regular use or selling of drugs." He attributes the drop-off in the number of people showing up in emergency rooms for drug-related problems in part to the large numbers of drug users being put behind bars.

In fact, one can argue exactly the opposite of what the critics of strict anti-drug law enforcement do: namely, that the problem with the get-tough approach is that it hasn't been nearly tough enough.

Despite mandatory sentencing laws, most drug offenders and other felons spend only one-third of their sentences in prison. The median time served in confinement fell from 17 months in 1981 to 13 months in 1988. In the 1980s imprisonment rates (the number of prisoners divided by the total U.S. population) soared. But punitivity rates (the number of prisoners divided by the number of crimes for which people may be sent to prison) did not. The number of state prison commitments per 1,000 serious crimes was 163 in 1960, 100 in 1970, and 143 in 1981. The number fluctuated between 1984 and 1987 and then de-

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clined to 131 in 1989. Between drug-war-years 1975 and 1986 the number of days a criminal could expect to stay in prison was about one-fifth what it was in 1960. And in many states, the likelihood of a convicted felon being sentenced to prison has remained under 50 percent for all crimes except homicide.

While the risk of going to prison for drug crimes increased in the 1980s, it remained quite low. Based on a survey conducted in Washington, D.C., Reuter calculated that a drug dealer who makes 1,000 transactions in the course of a year faces an imprisonment risk per transaction of "only about 1 in 4,500."

A 1990 prisoner self-report survey found that the typical prisoner committed hundreds of unpunished drug offenses each year. No wonder more than half of the respondents agreed that experienced criminals "never seriously think about going straight."

Total Victory or Nothing?

Thus, the drug arrest-and-imprisonment binge of the 1980s can just as well be viewed as mild relief from a starvation diet that began in the 1960s and early 1970s. For all the rhetoric about how "punitive" the drug wars have been, the undetected, unprosecuted, and unpunished drug-related crime in this country remains staggering. The notion that inner-city citizens would be better off with even less criminal-justice action against the predatory drug dealers in their midst borders on the fanciful.

Still, where the drug warriors have gone wrong is in underestimating the degree to which drug offenders taken off the streets are immediately replaced. One prominent drug warrior who learned this lesson the hard way is former chief of New York's Drug Enforcement Agency (DEA) headquarters, Robert Stutman. In *Dead on Delivery*, Stutman recounts cracking down on middle- and upper-class users from New Jersey and Westchester County who fueled the crack-cocaine market of New York's blighted Washington Heights neighborhood. DEA agents seized more than a thousand cars and obliterated local crack gangs—and still had almost no effect on the availability of crack in Washington Heights. Reluctantly, Stutman conceded the impossibility of winning a total victory over inner-city drug abuse and drug-related crime.

But as he also realized, not being able to eliminate drug crime does not mean that enforcement battles are in vain. A 1986 National Academy of Sciences panel found that the increased use of prisons cut burglary and robbery rates by 10–20 percent. And according to a 1991 article in *Science* by statistician Patrick A. Langan, differences in crime rates between 1973 and 1989 led to some 66,000 fewer rapes, 323,000 fewer robberies, 380,000 fewer assaults, and 3.3 million fewer burglaries. As Langan concluded, if "only one-half or even one-fourth of the reductions were the result of rising incarceration rates, that would still leave prisons responsible for sizable reductions in crime."

Falco admits, indirectly, that we know precious little about the marginal crime-reduction effects either of increased incarceration or of different types of street-level enforcement strategies. With Harvard professor Mark A.R. Kleiman, she sees merit in changes in enforcement tactics (police check-points, evicting dealers from public housing, hassling drug buyers without arresting them) that might disrupt street markets without further burdening the courts and prisons.

Kleiman's interesting ideas—he also proposes that marijuana be semi-legalized and taxed and that convicted drug dealers who tested positive for cocaine or heroin use be required as a condition of release to submit to frequent post-incarceration drug tests—are well presented in *Against Excess*. But we are a long way from knowing whether "low-arrest strategies" and his other fresh ideas would work. And, as Kleiman himself makes clear, there is no practical or moral substitute for taking criminals who assault, rape, rob, burglarize, extort, deal drugs, and murder off the inner-city streets.

Racial Disparities in Imprisonment Rates

Falco and other drug war critics cringe at that reality because so many of those who are locked up for drug use and drug-related crimes are black or Hispanic. At least on the surface, the national numbers do look terrible. The National Institute on Drug Abuse estimates that about three-quarters of "regular drug users" are white, 17 percent are Hispanic, and 8 percent are black. But in 1989 about 43 percent of those impris-

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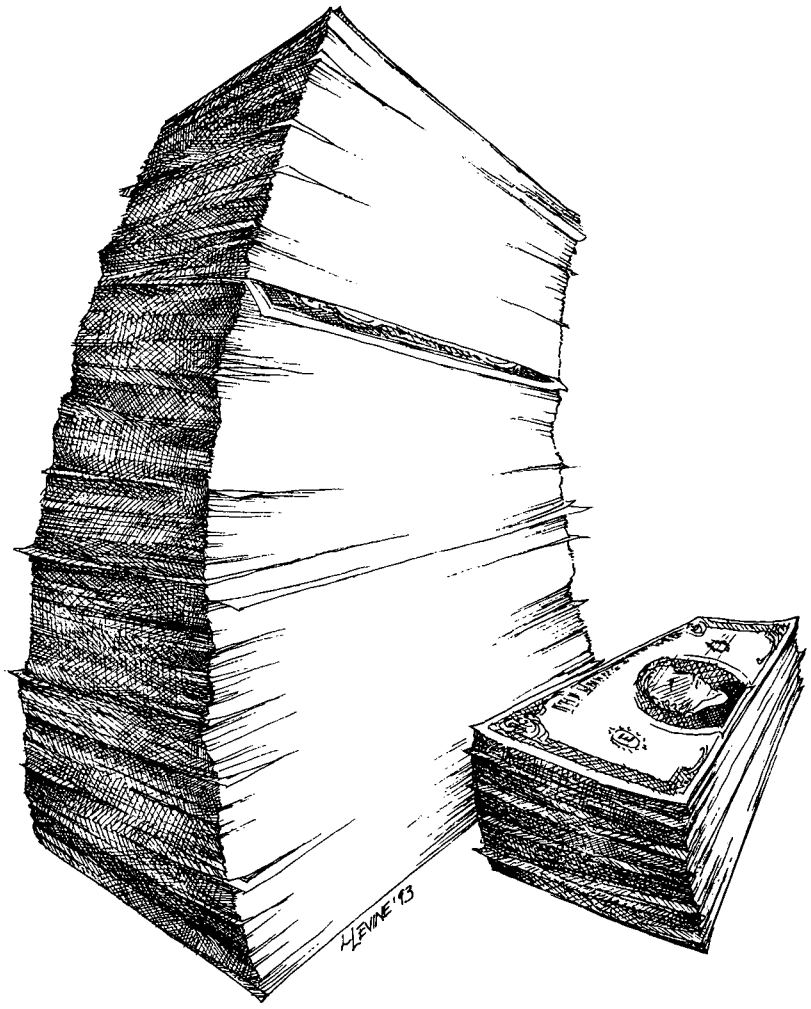

oned on drug charges were black, 25 percent were Hispanic, and 25 percent were white.

But race-based arguments against locking up inner-city criminals should be resisted. While it is indisputably true that the American criminal justice system was shot through with racial discrimination in the past, there is virtually no systematic evidence that it remains so today. Once socioeconomic factors and criminal histories have been taken into account, minority citizens in this country are no more likely than whites to be arrested, prosecuted, convicted, denied probation, incarcerated, or denied prison furloughs or parole. (The evidence on racial disparities in capital sentencing remains mixed and hard to interpret.)

For example, a Rand study found that a defendant's racial or ethnic group bore little or no relationship to conviction rates in 14 urban areas across the country. Instead, what determined who got punished were such factors as the amount of evidence against a defendant and whether a credible eyewitness testified.

It's true that the imprisonment rate for blacks remains far higher than that for whites, but it's also true that black crime rates are far higher than those for whites. In a 1985 academic journal article, Langan found that at the rate blacks committed crime in 1979, a perfectly nondiscriminatory system would have resulted in blacks being 44.9 percent of all prison admissions; the actual percentage was 48.9 percent. A host of recent studies reinforces that view.

Most crime committed by poor minority citizens is committed against poor minority citizens. More than 85 percent of single-offender crimes by blacks are committed against blacks. The favorite victims of predatory inner-city criminals are their struggling neighbors. And if every opinion poll and victimization survey (not to mention countless newspaper and magazine stories) is to be believed, no group suffers more from drug-related street crime, and none is more eager to have courts, cops, and corrections officials crack down on inner-city criminals, than the predominantly minority citizens of these communities themselves.

A Hard Look at Legalization

Despite their understandable worries about racial disparities in the justice system, and despite their dismissal of supply-control initiatives and get-tough domestic enforcement measures, mainstream critics of the war on drugs pump their intellectual brakes when it comes to legalizing drugs.

But it's not clear why these critics, who are convinced that it is impossible to restrict the supply of drugs in the United States, do not embrace legalization as the only viable long-term option. As legalization advocate Ethan Nadelmann observes in *Daedalus*, the "basic analysis advanced by most 'legalizers' is remarkably similar to that advanced by those who have appeared as the most sensible, progressive, and nonideological among the prohibitionists."

Nadelmann summarizes the mid-term findings of the international Princeton Working Group on the Future of Drug Use, a body of 18 legalization-leaning scholars. As he makes clear, the central question confronting legalizers is how to figure out the size and composition of that group of citizens for whom anti-drug laws represent the "principal bulwark between an abstemious relationship with drugs and a self-destructive one."

How many more drug users, abusers, and drug-related crimes would America have, and what segments of society would suffer (or benefit) most, if decriminalization took the place of anti-drug law enforcement? In *Drug Policy and the Decline of American Cities*, Sam Staley, founder of the Ohio-based Urban Policy Research Institute, acknowledges that legalization will mean lower prices and that "lower prices will probably increase overall consumption. The point of disagreement revolves around the magnitude."

Legalization proposals range from a virtually unfettered free market to an alcohol-like regulatory scheme, from a for-registered-addicts-only approach to William F. Buckley's legalize-but-execute-dealers-who-sell-to-kids proposal.

Falco asserts that the issue of how to regulate legalized drugs "is rarely addressed." But Nadelmann, Staley, and many other legalization advocates have carefully explored the likely pros and cons of alternative legalization regimes. Falco is right that they have arrived at "no consensus," but no consensus is better

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than the shallow, feel-good mainstream consensus on demand-reduction programs and the like.

Similarly, Falco asserts that anything short of "total access" to legalized drugs is doomed to create a "black market with its attendant criminal activity." But to legalize any given prohibited mind-altering substance is not necessarily to create a thriving black market for it. Many legalization advocates emphasize the absence of a big black market in booze, as well as the apparent success of the sorts of alcohol-abuse education programs that Falco thinks can be so valuable with respect to illicit drug use.

Both the legalizers and the drug warriors view legalization as a high-stakes bet. My own guess is that most upper- and middle-class Americans, including most readers of this magazine, would not tune in, turn on, and drop out if drugs were legalized tomorrow. But the existing data on the concentration of drug abuse and drug-related crime in inner-city neighborhoods lead me to believe that whatever future they have would be forfeited by legalizing drugs.

The Next Drug War Must Be in the Inner City

The U.S. Bureau of Justice Statistics has found that America's crime problem has been, and continues to be, an urban problem. For example, the average annual rate of violent crime in 1987–89 among city residents was 92 percent higher than the rate among rural residents and 56 percent higher than the rate among suburbanites. The rates of theft and household crimes were also much higher in the cities than outside them. And within the cities, blacks had a much higher rate of violent crime victimization than whites, and were also much more likely to be victims of burglary and other household crimes.

What the evidence on the effects of get-tough enforcement suggests to me is that the next war on drugs can be won—if four basic conditions are met.

First, the Clinton administration must target the next drug war on the inner cities and offer the rest of America a clear moral justification for doing so. In his May 2, 1992, remarks to the Democratic Leadership Council, candidate Bill Clinton asked, "So what would I do if I were elected president? Number one, I would start with the elemental proposition that the people in the other America deserve the same law and order that the rest of us demand." That sounds promising. Can he follow through?

Second, we need to debate our way toward the doctrine that there is a constitutionally guaranteed civil rights interest in protecting the life, liberty, and property of inner-city Americans. With no pretense to knowing the law-reviewese that might support my position, I think it wrong to maintain that there is a civil rights interest in enabling minority children to attend the local public school of their choice, but none in enabling them to walk to school without having to dodge stray bullets, run from drug dealers, or wear colors that do not offend local street gangsters.

If state and local governments prove either unwilling or unable to honor their obligations to protect inner-city citizens, then the federal government should accept an affirmative constitutional duty to do so, and with at least as much dispatch and effectiveness as it brought to the task of disarming Somali warlords.

Third, we must increase our big-city police forces and prison capacity as much as is necessary to make inner-city criminals and street gangsters aware that we are fighting a war on drugs.

President Clinton has embraced the old but rightly ballyhooed idea of community policing and has called for putting 100,000 additional police officers on the streets, with the federal government paying for some or all of the effort. That's a big step in the right direction, but it must be remembered that these cops are not just uniformed social workers. They are authorized to maintain public order and use reasonable force against people suspected of committing crimes.

Clinton has also called for more boot-camp prisons for "nonviolent first offenders." But inner-city criminals are rarely nonviolent first-time offenders. Nationally, in 1991, 93 percent of state prisoners were serving a sentence for a violent crime or were recidivists. I have argued myself in this magazine for new-style corrections programs, but facts are facts, and the latest facts are not encouraging. If we are going to win the next drug war, we will have to build, staff, and operate new prisons and jails.

The cost of intensifying anti-drug law enforcement efforts targeted on the inner cities could run into billions of dollars a year in additional spending. Can we afford it? For all the drug-war critics' complaints about spending on law enforcement, the truth is that much less is spent on it than on many other governmental functions. In 1990 the federal government spent less than 1 cent of every dollar on criminal justice; state governments spent around 6 cents, and local governments spent about 7 cents. Protecting the community from those who criminally violate the social contract is more central to the government's duty to govern than these figures would suggest.

Finally, we must think of the next war on drugs not as a panacea for all the ills of the inner cities, but as a necessary but insufficient condition for beginning to address them.

Even if the inner cities had a zero drug-and-crime problem, they would still be home to poor people without jobs and with little hope. But no new engines of inner-city job growth and revitalization can be started unless and until the drug-and-crime epidemic is checked by no-nonsense law enforcement measures. The Bush "weed-and-seed" program embodied this logic: lock up the inner-city bad guys then move in with good social and economic programs. But like too much else on the Bush domestic agenda, this program was executed on the cheap—like trying to accomplish a moon mission by going one space mile a year.

As that great urbanologist Thomas Hobbes argued, where life is "solitary, poor, nasty, brutish, and short," not much good in the way of industry, art, or other forms of human flourishing is possible. The inner cities are not ungovernable wastelands, and the people in them—even the predatory criminals—are not human refuse. The time has come for a war on drugs that fits both the harsh reality and the untapped potential of inner-city America. ■

No new engines of inner-city job growth and revitalization can be started unless and until the drug-and-crime epidemic is checked.

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JOB SECURITY IN

KATHARINE ABRAHAM AND SUSAN HOUSEMAN

During the recent recession millions of U.S. workers were laid off from their jobs. Even a temporary layoff can impose a real hardship on affected workers and their families, and many of this recession's job losers are the victims of permanent restructuring.

But, say most Americans, such layoffs, however unfortunate, are necessary. Recessions happen. Companies can't keep workers on the payroll if they have no work to do. That is just the way things work. Well, yes. That is the way things work in the United States. But it is not how they work in most industrialized countries. Certainly it is not the way things work in Germany.

German labor market policies discourage layoffs and facilitate the use of alternatives, including work sharing, to promote job security. Like most West European countries, Germany imposes strict regulations on employers who lay off workers. Employers must give workers they dismiss between two weeks' and six months' notice, depending on seniority and age. They must also advise the works council (a legally mandated body of elected worker representatives) and the local employment office of any large layoffs planned over the next 12 months. Any business with more than 20 employees that plans a mass layoff (on the order of 20 percent of the work force for small businesses, 10 percent for large ones) must negotiate with the works council over compensation for workers who lose their jobs. If the two parties cannot agree, the case goes to binding arbitration. In the early 1980s, the median per-worker settlement was roughly four months' earnings.

Although these laws make layoffs more costly to employers, other policies lower the costs of using alternatives such as work sharing. The German unemployment insurance system allows workers whose hours are cut because of slack work to collect prorated benefits—63 percent of net pay for hours not worked (68 percent for workers with children). Benefits are payable for up to 6 months under ordinary circumstances, 12 months if the industry or region is depressed, and 24 months during general recession.

Germany's extensive system of worker training, particularly its apprenticeship program, also improves job security. Companies recruit apprentices at age 16 or 17 and train them for two to three years in a program that reaches about two-thirds of all teenagers and covers all sectors of the economy, white-collar as well as blue-collar jobs. The result is a highly skilled work force in which management has invested heavily and which it is reluctant to lay off, particularly during a temporary downturn. And because workers are well trained and versatile, employers may avoid laying them off by reassigning them to positions vacated by workers who quit or retire. Finally, if workers *are* laid off, their training helps them find new work quickly.

America's Pro-Layoff Bias

U.S. policy, by contrast, imposes few regulations on layoffs and provides little incentive for employers to use alternatives such as work sharing. Although Congress enacted a law in 1988 requiring employers to give workers and state and local officials 60 days' notice before a mass layoff (roughly a third of the work force) or plant closure, the law is comparatively toothless. For example, a company need give no advance notice if the layoff is due to unforeseen business circumstances or if the company has been seeking capital to avoid or postpone the shutdown. And U.S. law does not require companies to consult with worker representatives or compensate laid-off workers.

In addition, the U.S. unemployment insurance system features a pro-layoff bias. Although a firm's unemployment insurance tax rate is partly based on its layoff history, the added tax liability that it incurs from laying off another worker—roughly three weeks' wages—is typically less than the cost to the unemployment system of paying that worker benefits. And passing the cost of a layoff on to the government encourages U.S. employers to lay off too many workers.

Worse, workers whose hours are reduced generally are not eligible to collect unemployment benefits. Only 17 states now offer short-time compensation (STC), and even in those states, employers rarely use it. One problem is that many states now offering STC benefits restrict participation in the program or impose higher taxes on some employers who use work sharing rather than layoffs. Another is the detailed paperwork required by state administrators. Finally, many employers simply don't know about the program. Mathematica Policy Research reported in 1986 that half of the employers in three states with the STC program had no idea it existed.

Early in this century work sharing was used widely in the United States to accommodate downturns. Its decline—and the increase in layoffs—is attributed by

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labor historians in large part to the advent of the current system of unemployment insurance in the 1930s.

German and U.S. Labor Market Adjustment

Critics argue that the German system raises the costs of laying off workers, and thus inhibits work force reductions and slows economic adjustment. The U.S. system, they say, lets companies respond quickly to economic change.

In fact, U.S. and German companies faced with similar declines in sales make very similar labor cuts. The difference is that U.S. firms lay off many workers immediately, while German companies reduce workers' hours. In German manufacturing, for example, work sharing accounts for over half the initial drop in labor input when sales fall. Within a year or two, German companies make labor cuts comparable to those at U.S. companies. By combining work sharing in the short term and attrition over the longer term, German companies can make these cuts with fewer layoffs than their U.S. counterparts.

Are U.S. Reforms in Order?

Should the United States take steps to reduce layoffs and encourage employers to adjust in other ways? We think so. Certainly, reducing layoffs would be more equitable. Layoffs put the burden of adjustment on a relatively small number of workers, who can suffer large income losses, the loss of health insurance, and other personal problems. Reducing layoffs and encouraging alternatives would also create economic benefits. Current U.S. policy produces too many layoffs, wasting investments in workers' skills and lowering productivity. Laid-off workers may strain social services and become a drain on the medicaid system or on the private health care sector as nonpaying patients.

A first step is to require all states to offer prorated unemployment benefits for workers on short time. Benefits should be on an equal footing with regular unemployment benefits, paperwork should be minimized, and STC programs should be better publicized.

U.S. labor policy should also help employers maintain health insurance and other benefits for workers on reduced hours. Although most states with STC programs do not require employers to maintain benefits of such workers, in practice almost all employers do. State government should provide subsidies or loans to help companies cover the cost of health insurance for workers on short time. Lower expenditures on medicaid would help offset the cost.

Besides encouraging greater work sharing, several measures should be adopted to discourage excessive layoffs and assist laid-off workers. First, employers' unemployment insurance tax rates should be more closely tied to their layoff history, with higher tax rates for employers with a history of many layoffs and lower tax rates for those who seldom lay off workers.

Second, the federal requirement for advance notice of mass layoffs should be tightened. Under the law large companies may lay off hundreds of workers without providing notice. Moreover, a General Accounting Office survey last February found that three quarters of all companies that appeared to meet the criteria requiring advance notice either failed to file notice or gave less than 60 days' notice. Thus, in most cases companies either slip through the law's large loopholes or simply don't comply with the law. An advance notice law with so little impact is pointless and should be amended. The threshold defining a mass layoff should be lowered from one-third to 20 percent of the work force; all permanent layoffs of 100 or more workers should be subject to advance notice; loopholes should be closed; and the Labor Department should be charged with enforcing the law.

Companies should also be required to maintain for one to two months the health insurance of workers they lay off. Such a requirement would both reduce the cost of job loss for workers and lower the medical costs passed on to the public.

Finally, government should promote workplace training. Only about 2 percent of American youth participate in apprenticeship programs. Labor Secretary Robert Reich, a proponent of German-style apprenticeship programs, has proposed earmarking $1.2 billion over four years to create school-to-work transition programs. That would be a good first step. More workplace training will result in higher productivity, higher wages, and greater job security.

Some layoffs, of course, are necessary in any competitive economy. But by extending our system of short-time compensation, toughening the experience rating of unemployment insurance taxes, strengthening mass layoff laws, and improving workplace training, we can curtail excessive layoffs and strengthen workers' job security. Not only will such steps increase economic equity, they will also increase economic efficiency. ■

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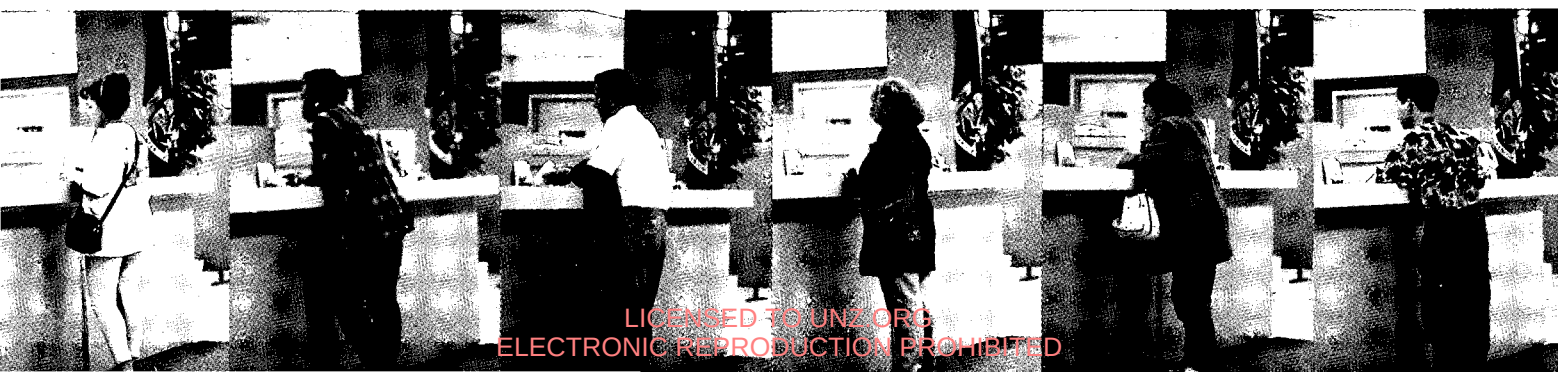

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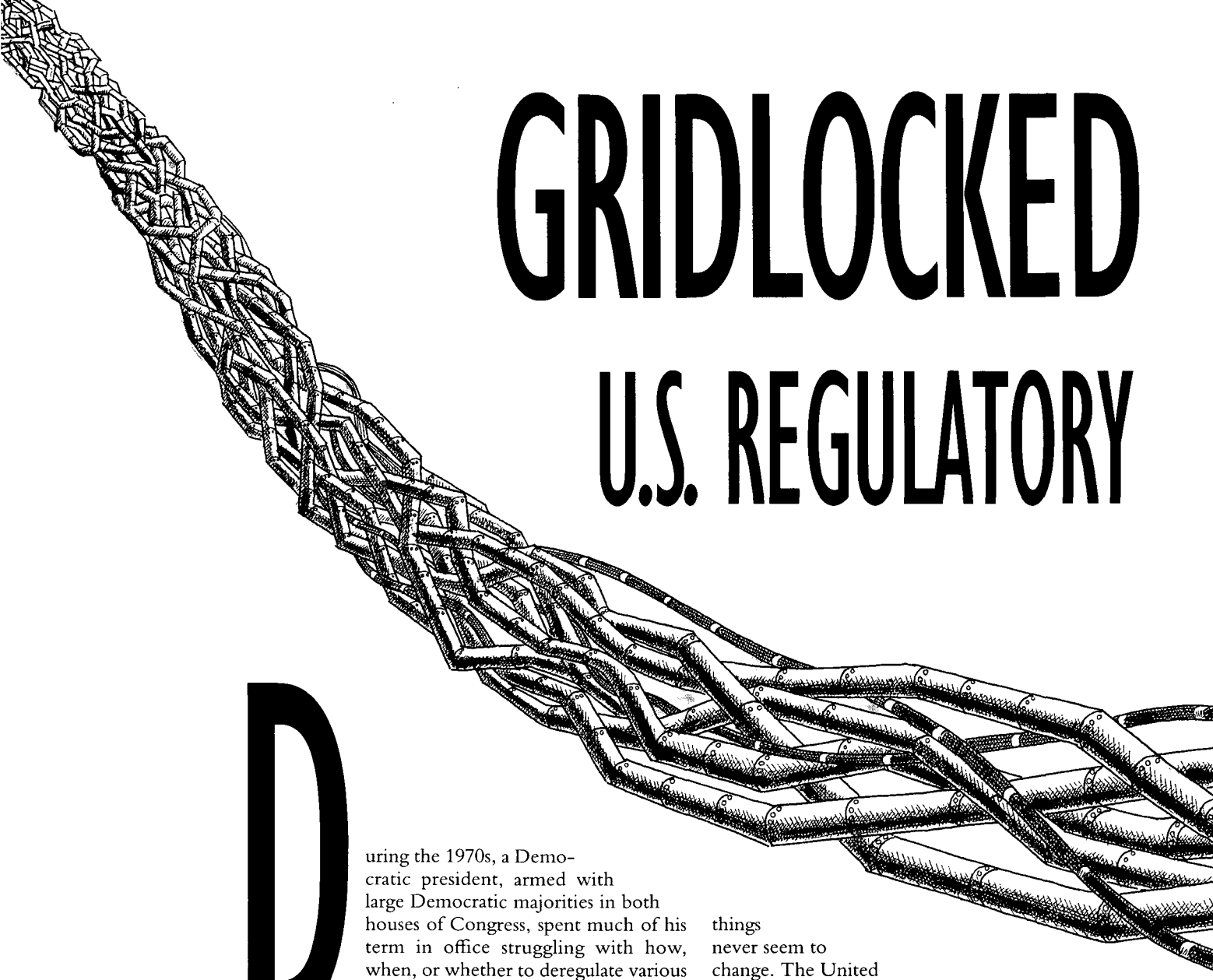

During the 1970s, a Democratic president, armed with large Democratic majorities in both houses of Congress, spent much of his term in office struggling with how, when, or whether to deregulate various energy sources. The disputes were typically intense and highly publicized. They were also often inconclusive. The debate over the Carter administration's natural gas bill spanned nearly two years, eventuating in a cumbersome plan that only gradually introduced market pricing of most gas supplies.

By contrast, in the latter 1980s, despite divided government and partisan wrangles on other matters, policymakers were able to resolve important energy issues with less fuss. In July 1989, for instance, with scarcely a dissenting voice, Congress swiftly lifted controls from all remaining domestic production of natural gas. Because roughly 40 percent of this primary heating fuel was technically still regulated at the time, and the natural gas question had repeatedly made headlines in the past, one might have expected this decision to be controversial. But the *New York Times* devoted two inches to the news at the back of the business section. The *Washington Post* chose not to report it at all.

Little noticed amid the laments about governmental paralysis during the past decade, the U.S. energy sector has been undergoing a quiet revolution. True, some things never seem to change. The United States continues to rely, eccentrically and inefficiently, on automotive fuel economy standards in lieu of higher gasoline taxes to conserve fuel. Nevertheless, the nation's oil, gas, and electricity industries have experienced impressive regulatory reforms in recent times.

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Morass

The federal government responded to the energy crisis of 1974 by trying to shield consumers from sharply higher costs. The result was to distort oil and gas markets for years.

A system of field price controls dating back to 1954 had caused periodic shortages of natural gas even before the 1973 Arab oil embargo. The situation worsened after the 1974 shock when Congress refused to lift those regulations and then extended similar ones to the domestic petroleum industry. Policies governing the supply and demand for electric power turned out to be less perverse. Yet, there, too, regulators proved reluctant to price each unit of energy at its replacement cost. Considerable damage was done. The petroleum price and allocation rules not only induced

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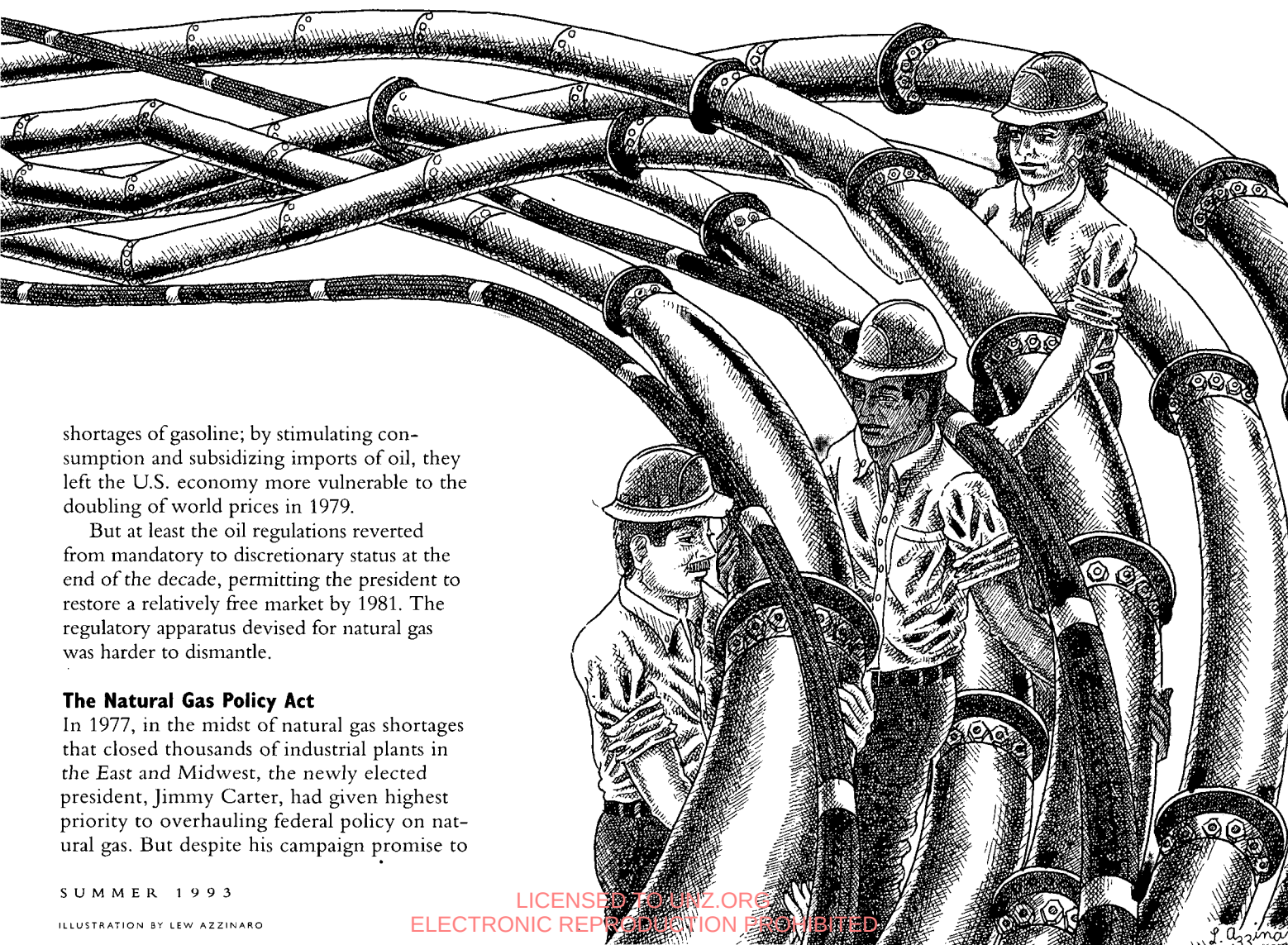
OR GAINING GROUND?

REFORM IN THE ENERGY SECTOR

PIETRO S. NIVOLA



shortages of gasoline; by stimulating consumption and subsidizing imports of oil, they left the U.S. economy more vulnerable to the doubling of world prices in 1979.

But at least the oil regulations reverted from mandatory to discretionary status at the end of the decade, permitting the president to restore a relatively free market by 1981. The regulatory apparatus devised for natural gas was harder to dismantle.

The Natural Gas Policy Act

In 1977, in the midst of natural gas shortages that closed thousands of industrial plants in the East and Midwest, the newly elected president, Jimmy Carter, had given highest priority to overhauling federal policy on natural gas. But despite his campaign promise to

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speed deregulation, his energy planners and the Congress crafted an unwieldy compromise.

When finally enacted, after many months of acrimonious haggling, the Natural Gas Policy Act of 1978 (NGPA) classified gas under 20 different categories, according to geological source and location, well distances and depths, dates and destinations of first sales, volumes produced, and other considerations. Some categories, such as high-cost gas from new wells deeper than 15,000 feet, were to be freed from price constraints rapidly, while others were scheduled for release much later. Most gas produced after 1977, about half of all supplies flowing in interstate commerce, was to be deregulated by 1985, at prices much higher than the output from pre-1977 wells, which would remain controlled.

Gas markets fell into disarray. Local distributors on pipelines with access to old gas could offer their customers cut-rate supplies, whereas systems contracting for new vintages had to pass through their much higher acquisition costs. Marked regional disparities arose. Congress's intent had been to soften the impact of unregulated prices on consumers, but new gas (especially the deep variety) became so overpriced relative to market demand that by 1985 the average price of gas generally exceeded market-clearing levels. Allowing new production to qualify for higher prices while maintaining low prices on old gas invited producers to drill in the high-priced categories and to shut down some lower-cost reservoirs.

The regulated market influenced the nature of long-term contracts. Unable to bargain simply on price, transactors negotiated on other terms. Pipeline companies, anxious to secure steady supplies by purchasing large quantities of new gas, entered into contracts with producers containing onerous take-or-pay clauses. In the aftermath of the Iranian Revolution, which sent energy prices (including those of newly discovered natural gas) soaring while demand plunged, many big pipelines found themselves obligated to take or otherwise pay for huge orders of expensive gas that they could not sell. How to revise the contracts, bring prices back into line, and dissipate the supply "bubble" preoccupied federal regulators, legislators, and courts through most of the 1980s.

Even while prices were sprinting wildly in a supply surplus, Congress still had little stomach for reconsidering the Natural Gas Policy Act. An attempt by the Reagan administration to hasten the arrival of market forces to restore equilibrium languished in 1983.

The impasse on Capitol Hill deepened with new rifts in the natural gas industry. Producers were divided on whether to amend the NGPA. The large integrated companies that owned a lot of old wells favored swift, complete decontrol, a step from which the many independents specializing in lifting deep or new gas that fetched supra-market prices had little to gain. Pipeline companies were quarreling with their suppliers and with one another. Companies operating within state lines and under fewer burdensome contracts could afford to be flexible. But large interstate pipelines wanted out of their take-or-pay contracts on high-priced gas. Meanwhile, at opposite ends of the distribution chain, local gas utilities and producers in the field were demanding nondiscriminatory access to transportation, something the pipelines resisted. Disunity at every level made it hard for the industry to lobby effectively for statutory changes.

An even bigger problem for the legislators was uncertainty about the effect of decontrol on average residential fuel bills. No one knew whether gas prices would rise or fall. The Department of Energy issued conflicting assessments. A risk-averse Congress shied away from a remedy that might appear to enrich producers at the expense of consumers.

Enter the FERC

But if Congress was not prepared to act, the Federal Energy Regulatory Commission (FERC) was. Authorized by Congress in 1938 to set rates and entry conditions for pipeline companies in interstate commerce, the commission operated under a broad mandate: to regulate "in the public interest." During the 1980s, the FERC, animated by free-market commissioners appointed by President Reagan, gave novel interpretation to its charge, achieving through incremental rule-making a good deal of what Congress was unwilling to legislate.

As long as the Natural Gas Policy Act remained in force, the commission could not restructure the whole schedule of prices, but it could prepare a more orderly transition to an open gas market under the NGPA's timetable. It began by adjusting the production price of some old gas (over which it held discretionary power) and altering regulatory conditions downstream. Each adjustment generated pressures for others elsewhere in the system.

The FERC's strategy was to create opportunities for gas customers to gain direct access to field markets. If users could shop directly from producers in a spot market and use pipelines only as common carriers transporting supplies, they might negotiate lower prices than those in typical long-term contracts involving a middleman. The commission set the plan in motion in late 1985. Pipelines offering carriage services became eligible to operate under certificates more flexible than those normally approved by the agency. In return, the pipelines would have to accept revised contractual relationships with local distributors, who gained the right to reduce existing purchase agreements and to contract with the pipelines for transportation only.

Judicial Fine Tuning

These initiatives received a cold reception at first. FERC's efforts to reclassify old gas were temporarily set back by litigation, and few major pipeline companies volunteered to participate in the agency's open access experiment. For many, its incentives were asymmetric. If local distributors could abandon their existing purchase agreements, carriers would lose sales to customers with no guarantee that long-term obligations with producers could be renegotiated. Predictably, lawsuits followed.

The federal courts, their ranks filled by the appointments of successive Republican administrations, had turned away from their earlier role of expanding government regulation of the natural gas industry. In 1987, the Court of Appeals for the D.C. Circuit took into ac-

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count objections to the commission's scheme and remanded it, but also carefully invited a reformulation.

In response, the commission issued revised rules enabling pipelines shipping gas as contract carriers to lower their take-or-pay liabilities. For example, these pipelines would now be allowed to recover (through a temporary fixed charge on customers) as much as half the cost of "buying out" existing commitments to producers. By 1989 the take-or-pay exposure of pipelines was reduced to some $2.3 billion, down from an estimated $10 billion in 1986. Soon, a substantial and growing share of all natural gas delivered to market moved under contract carriage.

An indication that costs to consumers would not "fly up" with the advent of market prices was a precondition for completing the deregulation of natural gas. The successful decontrol of oil prices had provided a reassuring precedent, but evidently insufficient to convince Congress to act on gas. The FERC's exertions, backed by the courts, helped improve the political climate. The Wellhead Decontrol Act of 1989 came to a vote amid soft prices, less than half as high as in the peak year of 1984.

Modernizing the Provision of Electric Power

Similarly, the promise of moderating utility bills inspired better policies for the electricity industry. Faced with escalating costs of construction and fuel in the 1970s, electric utilities requested sharp rate increases. Again, the dilemma was how to stabilize prices while balancing supply and demand.

The policy arena for electric power differed from that for oil and natural gas in three ways. First, integrated utilities are natural monopolies, whose rates of return remain under government control. The debate, in other words, would not be about "decontrolling" big utilities. Second, producers of electricity are constrained by costly environmental requirements, such as increasingly stringent air quality standards, and by the ability of groups to block or delay the construction of large-scale installations, such as nuclear plants. Third, much of the responsibility for regulatory innovation in the case of electricity rests with the states, not just the federal government.

In some ways these differences simplified the politics of reform. As long as regulatory authorities retained control over rates, elected officials did not have to decide how to prevent "undeserved" transfers of income from consumers to producers. Without that preoccupation, Congress had an easier time legislating constructively. In addition, the prohibitive political and financial risks forced many power companies to put off building big generating facilities. Perforce, these companies became receptive to alternatives, such as smaller and less capital-intensive generating technologies and investments in demand-management projects. Finally, scattered experiments at the state level helped pave the way for the activities of federal agencies and lawmakers.

The Public Utility Regulatory Policies Act

Throughout the 1970s, congressional Democrats had resisted, in the name of fairness, deregulating domestic crude oil and natural gas. But when it came to rethinking traditional methods of supplying electric power, they were prepared to be more imaginative. Influential members and staff of the House Commerce Committee's Subcommittee on Energy and Power pioneered legislation to lower costs by increasing competition among generators of electricity. Their program, ultimately embodied in Title II of the Public Utility Regulatory Policies Act, did *not* release established utilities from traditional cost-of-service regulation; it exempted only new independent cogenerators and small power-producing facilities. The limited nature of the project, with the possibility that the independent power stations could help meet future supply needs less expensively than would conventional capacity expansions, was politically attractive to consumer-minded legislators. Unlike the rest of the omnibus energy package in 1978, PURPA was adopted with comparatively little strife.

CONGRESSIONAL DEMOCRATS WHO HAD RESISTED, IN THE NAME OF FAIRNESS, DEREGULATING DOMESTIC CRUDE OIL AND NATURAL GAS WERE PREPARED TO BE MORE IMAGINATIVE WHEN IT CAME TO RETHINKING TRADITIONAL METHODS OF SUPPLYING ELECTRIC POWER.

The law's success surpassed expectations. Between 1980 and 1986 the number of independent power producers (IPPs) and industrial cogenerators increased 27-fold, supplying a 2,000 percent increase in off-system kilowattage. By 1990, IPPs were bringing more new wholesale generating capacity into commercial service than traditional utility construction programs were.

The ultimate purpose of PURPA was not just to stimulate independent power production, but to dampen electricity price increases. The law required utilities buying power from IPPs to pay prices equal to the so-called "avoided costs" of the additional kilowatts that the utilities would otherwise have had to supply themselves. The appropriate purchase prices were left to state public utility commissions to determine. The problem for the state commissions was to set the "right" rates, neither so high as to negate any

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savings from independent power, nor so low as to discourage the independents from going into business. Increasingly, the commissions began solving this riddle by entertaining competitive bids from a broad range of possible sources of supply. As of 1990, 26 states had established competitive bidding programs. Aided by lower fuel costs, these initiatives appeared to help lower average, inflation-adjusted utility retail rates for residential as well as industrial customers in the latter part of the 1980s.

The National Energy Policy Act of 1992

Two obstacles to the expansion of competitive, non-utility power persisted. One was the Public Utility Holding Company Act of 1935 (PUHCA), which posed regulatory barriers for electricity wholesalers seeking to build, own, and operate power plants in more than one geographic area. The other pertained to transmission services. Just as open access to natural gas pipelines is necessary for new sellers to reach buyers, vendors of off-system electricity need to feed power through existing utility grids.

The Comprehensive National Energy Policy Act that Congress passed last October took on both problems. It permits a potentially large group of new generators to produce and sell electric power without being subject to PUHCA's geographic and other restrictions on corporate structure. And it ensures the new producers greater access to transmission lines by allowing the FERC to order utilities to "wheel" power—that is, to transmit electricity through their lines on behalf of other parties.

Initially the bill was imperiled by highly controversial provisions, such as a proposal to open the Alaska Arctic National Wildlife Refuge to oil exploration and a measure sharply raising corporate average fuel economy (CAFE) standards for automobiles. Skillful leadership in the energy committees (in particular, the tenacity of Senator J. Bennett Johnston) and pragmatic decisions by the Bush administration and congressional sponsors to sacrifice the Alaskan drilling and CAFE proposals kept the bill alive.

Much of the impetus for the legislation came from within the electricity industry and from large industrial customers. The PURPA had mobilized a growing assortment of non-utility wholesalers and cogenerators. Allied with them were loose collections of manufacturers, eager to reduce their electrical bills, and suppliers of fuels not normally used in baseload facilities. Natural gas producers and pipelines, for instance, regarded the expansion of small and medium-range power projects as a promising market for gas. Most important, many large utilities that had been skeptical of PURPA in 1978 now recognized opportunities in the growth of independent power. Indeed, according to John Howes in a recent article in *Regulation* magazine, the managers of firms like Virginia Power Company, Duke Power, Baltimore Gas & Electric, New England Electric, Boston Edison, Pacific Gas & Electric, and several progressive utilities in the Southwest were a driving force in the campaign to restructure the electrical industry. Amid mounting uncertainty about the feasibility of further investment in the customary structure of vertically integrated electrical systems, these companies had come to see greater flexibility in disaggregation, with generators (including free-standing subsidiaries of the utilities themselves) competing for sales across common transmission lines to local distribution outlets.

Still, annulling PUHCA and extending federal authority to promote transmission access remained complex matters on which both the main industry associations (the Edison Electric Institute, for instance) and Congress were divided. The bold steps would not have been possible if additional entities in the regulatory environment had not prepared a great deal of the groundwork. Here, some state regulators and, once again, the Federal Energy Regulatory Commission contributed significantly. Individually or through regional councils, various states had already begun to set terms and conditions enabling IPP power to be wheeled across several utilities. Although the FERC could not mandate transmission arrangements in most cases, it could require open access as a condition for approving proposed mergers or requests by utilities to sell bulk power at market-based rates. In a series of such decisions, the commission began sending strong signals that transmission access would be implemented on a case-by-case basis even if Congress failed to enact statutory remedies. Voluntary wheeling transactions among utilities had been increasing steadily since the mid-1970s. The state commissions and the FERC accelerated the trend. By the time lawmakers concluded the national energy act of 1992, they were ratifying developments that were already under way.

Energy Policy on the Move

Although the U.S. energy agenda still has gaps, many important ones have been filled intelligently in the past dozen years. Field prices for crude oil and natural gas have been fully decontrolled. The nation's principal heating fuel is being transported to markets with far fewer regulatory distortions. The electric utility industry is being restructured in ways that promise significant gains in efficiency.

In the past, proposed changes along these lines had tended to tie the nation's political institutions in knots, in some cases for decades. Even in circumstances that supposedly enhanced the capacity of American government to act—emergency conditions, such as those during the 1970s, and unified party control of the legislative and executive branches—*immobilisme* often characterized energy policymaking. At least as much (arguably much more) has been accomplished in recent years, without the crisis atmosphere of energy shortages and with less centralized political control in Washington.

One reason that headway has been possible is that the polarizing question of distributive justice has lost some of its salience under contemporary market conditions. It is doubtful, for instance, that the Democratic Congress would have readily completed the deregulation of natural gas in 1989 if gas prices had been poised to surge. Too many legislators would have worried about "unearned rents" flowing from consumers to producers. At a minimum, decontrol would have re-

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quired something like a windfall profit tax—the political device that finally facilitated the termination of crude oil controls in 1980–81. Similarly, legislative improvements in the rules for electricity producers would have been unlikely without persuasive signs that consumers stood to gain and that big producers would not collect unfair profits. In this general sense, the politics of innovation in energy regulation resembles that of regulatory retrenchment in aviation and telecommunications services. In each, expected savings for consumers have provided a strong incentive.

But the possibility of enhancing consumer welfare, or "fairness," has not been the only essential ingredient. The anticipated benefits of the current reorganization in the electric power industry, or of a free market for particular fossil fuels, might have remained largely conjectural if the policy process had not been able to provide, however incrementally, adequate assurances in advance. While Congress remained distrustful of natural gas deregulation through most of the 1980s, other players entered the breach. The Federal Energy Regulatory Commission and the federal judiciary, both well-stocked with Republican appointees, kept chipping away at existing regulatory fixtures and nudging national policy toward workable market solutions. Eventually, Congress was left to put the finishing touches on a job that had been substantially carried forward by others. In the electric utility sector, FERC and state regulatory authorities helped lay the foundations for the landmark national legislation finally adopted last fall. In sum, a decentralized governmental structure seemed to maintain the momentum of new policies through alternative channels, and to offset, overcome, or function creatively within the political system's constraints.

This dynamic was reinforced by the tendency of limited reforms to invite additional ones. As some regulatory obstructions fell away, it was easier for others to follow, like falling dominos. Removing oil price restraints helped end gas price controls. (To be sure, the former was not a sufficient condition for the latter, but gas price deregulation would have been harder absent the favorable experience with oil.) Likewise, the 1992 revisions of the Public Utility Holding Company Act would have been less feasible without the political mobilization begotten by prior experimental legislation. One step led to another by building successful precedents and activating new constituencies.

How Does U.S. Policy Stack Up Internationally?

At this point the much-maligned record of American energy policy is beginning to compare favorably with that of other advanced nations. Although the received wisdom is that we still lag, much depends on precisely what is being compared and with whom. Clearly, if the top priority is to curtail oil imports, Japan has done better, mostly by consuming far less automotive fuel. Between 1973 and 1990, U.S. dependency on foreign oil rose from 36 percent to 47 percent of total use, while Japan's oil imports fell almost 25 percent despite faster economic growth. Yet, measured in terms of overall energy intensity, the United States has made about the same strides as Japan, and bigger ones than various other industrialized countries. The U.S. ratio of primary energy use to national output has fallen more than 28 percent since 1973. By 1990 the difference between the energy intensity of the U.S. economy and that of France had closed by two-thirds, while the disparity with Germany had narrowed by half. German and American rates of energy use per unit of GDP had completely converged by 1986, though the gap has widened again somewhat in the past five years.

Exactly how much of this performance can be attributed to public policies as distinct from market forces is impossible to know. One can safely say, however, that if none of the misguided federal intervention predating the late 1970s had been reversed, market forces would not have been able to work their will. And the policy decisions of at least some other governments were decidedly worse than ours. The contrast is particularly telling in the case of Canada, which, like the United States, produces much more energy than it imports and thus faces distributional conflicts between domestic producer groups and end-users. Through the first part of the 1980s, the Westminster-style parliamentary system in Canada evidently proved less capable of coping efficiently with those conflicts than was the chaotic American system of dispersed and separated powers. While the U.S. government backed away from its ill-conceived efforts to micromanage petroleum and natural gas prices, the Liberal Party in Ottawa was mounting a massive bureaucratic operation to control prices, allocate supplies, subsidize certain categories of producers, and tax others. Although the malfunctioning Canadian National Energy Plan was withdrawn during the second half of the decade, by then, the supposedly gridlocked energy policymakers in the United States had gained more ground. ■

A DECENTRALIZED GOVERNMENTAL STRUCTURE SEEMED TO MAINTAIN THE MOMENTUM OF NEW POLICIES THROUGH ALTERNATIVE CHANNELS, AND TO OFFSET, OVERCOME, OR FUNCTION CREATIVELY WITHIN THE POLITICAL SYSTEM'S CONSTRAINTS.

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NOT MUCH COOKING

WHY THE VOTING RIGHTS ACT IS NOT EMPOWERING MEXICAN AMERICANS

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Although most of the controversy surrounding the Voting Rights Act has focused on the benefits it affords black Americans, they are hardly its only beneficiary. Since 1975 Hispanics have also been covered. And though arguments for and against the Voting Rights Act's extraordinary provisions are routinely assumed to apply to blacks and Hispanics alike, in actuality the law does not work the same way for the two groups. Arguably, it hinders the political empowerment of Hispanics, Mexican Americans in particular. Certainly, the effect of the Voting Rights Act on Mexican Americans raises fundamental questions about using policies directed at racial barriers faced by black Americans to address the problems of a group composed primarily of recently arrived immigrants.

Census data on how Mexican Americans define themselves racially offer one widely overlooked reason for asking these questions. Despite the pervasive tendency to treat Mexican Americans, and Hispanics generally, as a nonwhite racial minority (as in routine references to "whites, blacks, and Hispanics"), in the 1990 census 50.6 percent of all Mexican Americans identified themselves as racially "white," while 1.2 percent said they were "black," and 46.7 percent identified themselves as "other race."

Another indicator that challenges the uncritical eagerness with which Mexican Americans are regarded as racially isolated from the mainstream is intermarriage. While blacks rarely marry outside their group, Mexican Americans frequently do. Indeed, exogamy rates for Mexican Americans have long been at least as high as those for European immigrant groups earlier this century.

Mexican Americans who grew up in Los Angeles during the 1950s and 1960s typically complain today that they were encouraged by their parents and teachers to "act like Anglos" and raised without much knowledge of their people's culture and language. In the late 1970s David Lopez surveyed 1,100 Mexican households in Los Angeles and concluded, "Were it not for new arrivals from Mexico, Spanish would disappear from Los Angeles nearly as rapidly as most European immigrant languages vanished from cities in the East."

The influx of Spanish-speaking immigrants to Los Angeles County since 1980 has been so great that 50 percent of Hispanics there told 1990 census takers that they do not speak English "very well." But if previous patterns of language assimilation prevail, they—and certainly their offspring—will learn English. Indeed, in recent years a persistent lament in the barrios of Los Angeles has been that Mexican grandmothers who speak little English have a hard time communicating with grandchildren who speak no Spanish.

Meanwhile, at the University of California, researchers with the Berkeley-based Diversity Project document "the corrosive impact of cultural assimilation" on Mexican-American undergraduates. Often the first from their families to attend college, these young people typically do not speak Spanish and consider themselves "white," only to discover on campus that they are "Chicano," that is, members of a discriminated against racial minority. As one such youth put it, he was "born again at Berkeley." Ironically, for many Mexican Americans today the biggest difficulty is not obstacles to assimilation, but its unsettling consequences.

These trends may be slowed by the influx of Mexican immigrants in the past 10 to 15 years, not to mention the recent recession, especially in California. But there is no reason to believe that the basic assimilative processes have been stymied—or that the basic difference with black Americans has changed. Indeed, one manifestation of this difference that is particularly relevant politically is the residential mobility of Mexican Americans, who follow the classic immigrant pattern of gradually moving up and out of initially settled urban enclaves. A Rand Corporation study of 1980 census data found that "unlike the patterns for blacks, an influx of Latinos into an area does not appear to precipitate an outflow of Anglos. Thus, with increasing exposure to U.S. society and continued upward mobility, Latinos blend into the larger society."

Because compactness is one of the criteria in drawing legislative districts, such residential mobility and dispersion have increased the difficulty of drawing Hispanic-majority districts under the Voting Rights Act. In Los Angeles, for example, a historic 1990 federal court decision, *Garza v. County of Los Angeles*, created an Hispanic seat on the powerful five-person county board of supervisors. To construct the district, demographers focused on what they called "the Hispanic Core," an area composed of 229 contiguous census tracts, all but three of which had a majority of Hispanics. The Core contained 81 percent of all census tracts in the county with Hispanic population majorities in 1980, and 72 percent of its total population was Hispanic. But Hispanics were so widely scattered throughout Los Angeles County that the Core contained only 40 percent of the total Hispanic population there, and just 36 percent of all voting-age Hispanic citizens.

Years of Exclusion

Do such indicators of assimilation mean that Mexican Americans have experienced no discrimination whatsoever? Not at all. Many harbor bitter memories of the way they or their forebears have been treated in this country. Indeed, in the rural towns and ranches of the Southwest, particularly in Texas, Mexican Americans endured virtual caste status. Early this century in Gonzales County, Texas, Mexican contract laborers were chained to posts and guarded by men with shotguns. Until rather recently Mexican Americans in South Texas often went to separate and inferior schools, worshipped at the back of churches, were excluded from Anglo neighborhoods by restrictive covenants, or were refused burial in public cemeteries. In politics, Texas Anglos used poll taxes, burdensome candidate filing fees, restrictive voter registration procedures, and, when necessary, intimidation and violence to ensure that "Meskins," as they were contemptuously called, wielded little power.

PETER SKERRY

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On the other hand, whenever Democratic candidates found it advantageous to mobilize the Mexican vote, local "*jefes*" were provided with the necessary "walking around money" to get their families, friends, neighbors, and subordinates to the polls. Poll taxes would be paid en masse; campaign rallies organized; and beer and tamales liberally supplied. On their way into the voting booths, the illiterate would be given strings tied with knots, indicating where their x's should be put on the ballot, and poll watchers would make sure Mexicans voted as they were told. Election supervisors would routinely violate the law by entering voting booths—when there *were* voting booths.

Such practices were recounted in great detail in 1975, when Congress brought the entire state of Texas under the Voting Rights Act. Undeniably, Mexican Americans in Texas, and elsewhere, have had to face offensive and humiliating forms of discrimination. Yet it must also be said that the barriers they encountered have been decidedly less overwhelming than those confronting blacks. Treated in law as "Caucasians," Mexican Americans met barriers more enforced by custom than enshrined in law.

As a result, the caste status of Mexican Americans was more porous and negotiable than Jim Crow. For example, while the Texas constitution of 1876 *required* separate schools for blacks, the segregation of Mexican Americans practiced in Texas until after World War II was a matter of local policy. And local attitudes varied widely. As David Montejano observes in his recent book, *Anglos and Mexicans in the Making of Texas, 1836–1986*, "In some counties, Mexicans and Anglos were completely separate. In others, there was an easy mingling among the two 'races' and few social distinctions were drawn between them." And those in oppressive circumstances had escape routes. One was the military during World War II, which, unlike for blacks, did not mean serving in segregated units. Another was the migrant labor stream. For with dependable sources of wages up north, where Mexicans were often treated relatively well, migrant families were less susceptible to Anglo social controls when they returned home at the end of the growing season.

Nor were Mexicans totally excluded from the political process, as were blacks, who were subjected to the infamous Texas "white primaries" struck down by the Supreme Court in 1944. Clifton McCleskey, perhaps the leading student of Texas politics, observes that "though local rules and informal discouragement" sometimes hampered Mexican American participation in politics, "in some respects Mexican Americans have traditionally had a place in Texas politics long denied to blacks."

Narrow though this foundation was, Mexican Americans used it to build up their political strength. Long before the Voting Rights Act, Texas was an incubator of Mexican-American political talent. President Clinton's first and most visible Hispanic cabinet appointee, HUD Secretary Henry Cisneros, is merely the latest in a long line of nationally visible Mexican-American leaders to have emerged from the state. And Texas has been the point of origin for virtually every important Mexican-American organization this century: the League of United Latin American Citizens (LULAC), the American G.I. Forum, the Raza Unida Party, the Mexican American Legal Defense and Educational Fund, and the Southwest Voter Registration Education Project.

The obvious contrast is with California, where, despite a much more benign social and economic environment, Mexican Americans have enjoyed far less political success in terms of officeholding, public sector employment, and the number and quality of leaders and organizations. Greater social and economic opportunities in California have meant that fewer energies have been channeled into collective political efforts there, more into individual advancement. Moreover, the money- and media-dominated politics of California have long made it harder for a disadvantaged group like Mexican Americans to break into the political system.

The ironies are manifest. Although it was Texas's history of discrimination against Mexican Americans that laid the basis for including Hispanics under the Voting Rights Act in 1975, and although that year the law (section 5) covered Hispanics throughout Texas, while covering Hispanics in only a few rural counties in California, Mexican Americans in Texas were much more potent politically than their California cousins.

With the 1982 amendments, all of California (indeed, all of the nation) was brought under the Voting Rights Act. Since then, several new Hispanic seats across the Southwest can be attributed to it. Yet the relative political weakness of Mexican Americans in California has not changed. In Texas, the Voting Rights Act took the lid off a pot that was already boiling, allowing Mexican Americans there to achieve their political potential. In California, by contrast, that potential was much less developed. The lid may be off, but there is not much cooking.

Voting Rights Success Stories?

To be sure, the Voting Rights Act has increased the number of Mexican-American officeholders throughout Texas. The threat of a Voting Rights Act suit caused the San Antonio City Council to shift from at-large to single-member districts, resulting in an enlarged and stable Mexican-American plurality on that body. And a suit in Houston led to a reorganized city council and a gain of seats by Mexican Americans. Similar stories unfolded in other cities and towns across Texas. Yet many of those changes were already pending, because of the growing political clout of Mexican Americans.

IN TEXAS, THE VOTING RIGHTS ACT TOOK THE LID OFF A POT THAT WAS ALREADY BOILING, ALLOWING MEXICAN AMERICANS TO ACHIEVE THEIR POLITICAL POTENTIAL. IN CALIFORNIA, THE LID MAY BE OFF, BUT THERE IS NOT MUCH COOKING.

In California the Voting Rights Act has also added to the number of Mexican-American officeholders, including breakthroughs onto the Los Angeles City Council and County Board of Supervisors. But the gains so achieved are less than meets the eye. For example, in the newly created district from which Gloria Molina was elected to become the first Mexican-American county supervisor since 1875, less than 5 percent of the approximately 1.8 million residents voted. Reflecting surprisingly low interest in an election that received national and world attention, this figure

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also reflects the low proportion of Hispanics eligible to vote in Los Angeles. When created in 1990, Molina's First District had 707,651 voting-age citizens, compared with the predominantly Anglo Third District, which had 1,098,663. Hispanics constituted 71 percent of Molina's district's overall population and 59 percent of its voting-age citizens, but just 51 percent of its registered voters. Indeed, barely 27 percent of the Hispanic Core from which Molina's district was created were voting-age citizens.

The problem is that such districts are so packed with illegal immigrants and other noncitizens ineligible to vote that they are virtual rotten boroughs. To be sure, the result is more Hispanic elected officials. But these officials are certainly not viewed by their Anglo counterparts as colleagues capable of delivering substantial blocks of voters. Indeed, by concentrating noncitizens in such highly visible districts, the problem of low Hispanic political participation gets highlighted, and the stereotype of Hispanics as politically passive gets reinforced. Moreover, by fostering the impression that significant political power is being acquired, these districts reduce the pressure for more gains, both political and substantive.

FOR MEXICAN AMERICANS THE VOTING RIGHTS ACT IS AT BEST A PALLIATIVE. AT WORST, IT REFLECTS THE OPPORTUNISM OF THE 1980S, WHEN WE REFUSED TO CONSIDER THE CONSEQUENCES, POLITICAL OR ECONOMIC, OF UNLIMITED IMMIGRATION.

Many argue that more Mexican-American officeholders result in increased rank-and-file participation. But the evidence from Los Angeles suggests otherwise. For Voting Rights Act–fostered districts seduce Mexican-American officeholders into a numbers game. Habituated to the passivity of their many nonvoting constituents, but unable to rest content with their relatively weak positions in a dynamic social and political system, such officials have come to rely on increasing numbers of Hispanics (regardless of their eligibility to vote) as the means of maximizing their influence. For, according to the affirmative-action logic that now pervades our political culture, steadily increasing numbers of Mexican immigrants automatically translate into demands for more Hispanic employees and elected officials.

Yet high levels of immigration are not necessarily in the interest of Mexican Americans generally. Immigration from Mexico certainly undercuts them economically, especially those with low skills and wages. And immigrants create political problems. They are certainly not easy to organize for political goals, and massive immigration creates so much instability and transience that political efforts become far more difficult. In precincts where noncitizens equal or outnumber potential voters, registration drives resemble the proverbial hunt for a needle in a haystack. The search soon becomes as tiresome as it is inefficient—and expensive.

The resulting dynamic is precisely the opposite of what is often argued—that Mexican-American leaders seek to control their constituents by isolating them in barrio enclaves. On the contrary, these leaders understand the powerful forces that are drawing their people into America's mainstream. Their goal is therefore not control over constituents, but over agendas. And for those seeking to portray Mexican Americans as a disadvantaged, discriminated-against minority, the continuing arrival of poor, uneducated immigrants serves precisely this purpose.

In sum, the political weakness of Mexican Americans today, especially in California, but also in Texas and elsewhere, is explained less by the historical grievances on which the Voting Rights Act is predicated than by the group's high proportion of noncitizens.

The Wrong Answer to the Real Problem

But if noncitizenship is the critical barrier to Mexican-American political advancement, how have we come to rely so singlemindedly on the Voting Rights Act? In the first instance, it responds to Mexican Americans who feel that their grievances against this society are every bit as pressing as those of black Americans. More mundanely, in a complicated and often intractable world, elective posts have become one of the tangible, measurable goods that Mexican-American leaders can deliver to their people.

Moreover, the Voting Rights Act serves the needs of various Anglo elites. Republicans, for example, support implementation of the act because packing Hispanics into specified districts results in safer Anglo—that is, Republican—districts. And Voting Rights Act–induced rotten boroughs permit Democratic leaders to respond to the aspirations of a disadvantaged group without much risk of mobilizing tens of thousands of new voters who would complicate the difficulty of assembling successful coalitions.

Even among those motivated by genuine concern, the Voting Rights Act, as applied to Mexican Americans, smacks of a legalistic quick fix for elites impatient with the real obstacles to this group's political advancement. The impatience of Mexican-American leaders is understandable. That of Anglo elites is more perplexing, but traceable to a lesson absorbed during the civil rights turmoil of the 1960s: if tolerance is a virtue, so is impatience. At least, having once been roundly, and justifiably, criticized for counseling patience to victims of racial discrimination, such elites are determined not to make the same mistake again.

Yet impatience may be ill advised when dealing with the problems of recent immigrants. It inevitably leads to comparative victimology, which unfortunately risks exacerbating tensions among all groups, especially between blacks and Latinos. Moreover, impatience communicates the wrong message to new arrivals and risks raising unrealistic expectations, which may have been reflected among the Latino rioters last year in Los Angeles. Not only does the Voting Rights Act falsely teach that political power can be willed into being by well-meaning elites, it leads all of us to forget what a long and arduous process it is for immigrants to become full participants in American life. Indeed, we now seem incapable of even waiting for these immigrants to settle in and adapt to their new home before declaring them to be victims of a regime that fails to include them.

For Mexican Americans the Voting Rights Act is at best a palliative. At worst, it reflects the most egregious opportunism of the 1980s, when we refused to consider the consequences, political or economic, of unlimited immigration. But now that all these people are here, and their numbers continue to grow, we need to find more effective, and less divisive, ways of bringing them into our political system. ■

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Ukraine's Nuclear Backlash

BY BRUCE G. BLAIR

Bruce G. Blair is a senior fellow in the Brookings Foreign Policy Studies program. He is the author of The Logic of Accidental Nuclear War *(Brookings, 1993).*

Since declaring its intention to become a non-nuclear weapons state back in July of 1991, Ukraine has been building up a large conventional army and hedging its nuclear idealism. Ukraine's temporizing on its nuclear future began only a month after its initial bold declaration, when conspirators in Moscow staged their coup and promptly dispatched the commander of the Soviet ground forces to Kiev with an ultimatum to Ukrainian leaders: comply with the diktat of the new regime or the army would move in. To make the threat credible, helicopters reconnoitered the city while Soviet forces specializing in the seizure of government buildings took up positions on the outskirts. For Ukrainians, the incident drove home the precariousness of their sovereignty.

After the ascent of Boris Yeltsin and the Soviet break-up, Ukraine, along with Belarus and Kazakhstan, the three non-Russian states with nuclear weapons on their soil, agreed in May 1992 to implement the START I treaty, adhere to the Non-Proliferation Treaty, and eliminate nuclear weapons on their territory within seven years after ratifying the START treaty. But Ukraine's insecurity was taking its toll. Today, legislators appear on the brink of declaring Ukraine an interim nuclear weapons state and of postponing accession to the NPT. The government also demands firm security guarantees, Russian recognition of existing borders, and several billion dollars for dismantling its arsenal.

Increasing the pressure on Ukraine only seems to strengthen pro-nuclear sentiment there. Ukraine might react to extreme coercion by trying to gain independent launch control over the forces on its territory. Today, Russia has firm operational control over the missile forces in Ukraine. The status of about 670 bomber warheads is less clear. Ukraine may have *de facto* custody of these weapons though it is believed that locking devices using Russian codes remain intact and that Russia earlier removed guidance components from air-launched cruise missiles.

This brewing crisis could grow volatile if Ukraine does move to take full control of the missiles and Russia resists with military force. Although there is no political consensus in Ukraine to take this step, if it manages to seize intact missile forces, it may be able to rapidly circumvent the Russian locking devices. The only major hurdle to establishing a credible missile deterrent aimed at Moscow would then be to program new target sets for the missile computers. All this might be feasible to accomplish within several months, given the freedom to operate with impunity—that is, assuming Russia acquiesces.

To avert a possibly incendiary confrontation over nuclear control and custody, Ukraine should be invited to join Russia and the United States in removing all warheads from missiles slated for elimination under START I and II, and placing them in storage depots in our respective territories under joint monitoring. This agreement would also cover heavy bomber weapons, which were decoupled from the bombers by presidents Bush and Gorbachev. Ukraine would accept that all nuclear weapons on its soil would be expeditiously placed in central depots on Ukrainian territory. American, Russian, and Ukrainian inspectors would continuously monitor the site. Other teams of similar composition would monitor offloaded weapons placed in storage in Russia and the United States under the same agreement.

Ukraine would remain obliged to honor its previous commitment to eliminate these stockpiles within seven years. This deadline allows ample time to address the questions of Ukrainian security and economic assistance. In the meantime, all the parties could lay to rest many of their current fears. Russia and the United States would be reassured that Ukraine remains a non-nuclear state that could not easily reverse course, and that the operational chain of command would not be splintered. Ukraine would derive considerable security assurance from the presence of American personnel at a critical military facility on its territory. The offloading of weapons and the American presence would also uphold Ukraine's right to prevent Russia from using nuclear weapons deployed on Ukrainian territory. And Ukraine's participation in an equitable multilateral nuclear agreement would enhance its regional and international prestige. Last, storing the warheads in Ukrainian depots monitored by American inspectors would increase Ukrainian confidence that its ownership claims on the weapons components would be honored, that the weapons would not make their way into the Russian inventory, and that the value of the uranium recovered from the weapons would wind up in Ukraine's bank account.

This proposal meshes with related efforts to hasten denuclearization in the former Soviet Union (FSU), notably the American contract with Russia to purchase 500 metric tons of highly enriched uranium from the FSU arsenal. This contract, worth $8 billion to $13 billion, offers the primary economic incentive for Ukraine to dismantle its warheads (at Russian facilities) and cash in. ■

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Health Reform Here and Abroad

BY JOSEPH WHITE

In early May I attended a conference in Saskatoon, Saskatchewan, to hear about the problems besetting the Canadian health care system and console the participants by describing other countries' troubles. Naturally, my hosts asked about America's reform effort.

"Why," they inquired, "does Mrs. Clinton think she can decide how to organize a health care system by having 500 people work for three months?" After all, they explained, thousands of people in many countries had struggled for decades without finding the perfect system.

"But she doesn't have to design the perfect system," I replied. "She just has to come up with something better than what the United States has now."

In that case, I was asked, what was taking her so long?

Those folks out on the Canadian prairie represent the common foreign view of our problem. Every advanced industrial country struggles with rising costs for its health care system. Yet all do much better at providing real security at a much lower cost. Some people here find reform inconceivable, but foreign observers find our system hard to believe.

The average health care system in a comparable country would spend between 8 percent and 9 percent of gross domestic product and provide universal coverage. We spend 14 percent, while a seventh of our population is uninsured and a comparable proportion is underinsured. There is no evidence at all of a difference in quality remotely related to the difference in cost and coverage.

America, the defenders of the status quo tell us, has a different culture. That sounds plausible until one starts thinking about the other countries. Is universal and affordable health insurance possible only for such similar cultures as Canada and Japan? Australia and Germany? How about the French and the English, who have defined their national identities in opposition to each other for about 600 years? We are no more different from all of these countries than some of them are from each other.

Another argument says we have far more serious racial and class problems that are associated with greater need for services. That is a good reason to spend more, but it does not explain why the difference in costs between the United States and all other countries widened during the 1980s. The proportion of elderly citizens—the main source of health care costs—is increasing in the United States, but not as fast as in some other countries. We had many immigrants in the 1980s; so did France and Australia. Other countries did better jobs of controlling costs because they had more effective institutions.

Our culture and internal divisions matter only as political barriers to reform. The United States does have a stronger anti-government strain of politics than any of these countries. (By stronger I mean in effect, not sentiment. Anyone who thinks the French trust their government more than we trust ours has not observed French politics.) It is also no accident that conservatives emphasize our "diversity" to explain health care costs—those "diverse" people are being blamed.

Undoubtedly our politics inhibits adopting a better system: after all, we don't have one, and other countries do. Yet does anyone imagine that national health insurance was easy to create anywhere? Or that it was created out of love and solidarity? The German system began because Chancellor Bismarck wanted to dampen working-class discontent. Canada's was created, in part, because a Royal Commission, appointed by a Conservative government that expected it to propose some half measure, surprised everybody and recommended universal government-provided insurance. The conservative (Coalition) parties in Australia still oppose their national system, and made that an issue in the latest campaign. But even in Australia the Coalition was extremely defensive about charges that its reforms would create something like the American system.

The foreign perspective should be remembered as Congress and President Clinton struggle with health care reform. On some important issues no one can give us advice. We do not know how to solve the legacy of hundreds of years of racism and resentment. Nor does the world at large offer any promising solutions to that kind of problem. But every comparable country gets more value for its health care dollar.

That does not mean we should want to reduce our spending to their levels. We may prefer a more aggressive practice of medicine, or hospitals with more amenities. But if we fail to do a lot better than we are doing now, it will not be because America cannot reform its health care. It will be because ideological blinders and interested parties made xenophobia an excuse for not learning from the rest of the world. ■

Joseph White is a research associate in the Brookings Governmental Studies program. He is completing Going to the Doctor: A Practical Guide to Health Care in the United States and Abroad.

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A Golden National Service

BY LAUREL McFARLAND

Laurel McFarland, an economist in the Brookings Economic Studies program, is completing a book on the economics of community colleges. This article is adapted from an article appearing in the Miami Herald *on February 28, 1993.*

Recent discussions of national service proposals for college students have emphasized the contributions young Americans can make to strengthening the nation's social fabric. But every generation of Americans, not just 18-year-olds, can help build community.

Opportunities for service abound. For example, we have children, many born in poverty, who need high-quality, accessible child care. We also have an increasingly comfortable and healthy population of new retirees whose vast child-raising experience could be tapped to serve the vital need of quality child care. At the same time we create a national service program for college students, we should create a similar program for young retirees.

The Golden National Service program would be open to all 65- to 67-year-olds. Participants (let's call them "Peppers") would attend a two-week training camp to revive old child-care skills and learn new ones. After a week of supported work, they would be connected to trained staff via a hot line.

The program would aim to improve the well-being of both children and senior citizens. For many Americans, young and old, the traditional extended family has passed into history. Many older people live far away from their families. And most middle-class American parents, and many of the working poor, must find child care through the marketplace. Where is the "market failure" that justifies government intervention? Parents encounter huge informational and quality problems in seeking child care. In addition, the social benefits of healthy children, ready to enter school, and of older people integrated in their community may exceed an individual family's interest in paying for those services.

The program would be strictly voluntary on both sides: 65-year-olds wouldn't have to join, and families could still get child care in the private sector. Peppers' weekly working hours would be limited to half-time, except in special cases. The maximum period of service would be two years, like the Peace Corps or Vista, with a similar atmosphere.

What about the health of program participants? Most people between 65 and 67 are indeed quite healthy. Even among 65- to 74-year-olds, only about one in five complain of any problems in conducting daily tasks.

The program would be organized at the county level to build a sense of community, determine wage rates, and coordinate transportation. The county would also decide how to allocate Peppers between day-care centers and individual child care in the parents' home.

Financing could be handled straightforwardly. To ensure an *esprit de corps*, Peppers would be paid a flat rate, say $5 an hour, tax free, and would not have their Social Security payments reduced. (This would cost the U.S. Treasury little, as many prospective Peppers would not otherwise be working.) Parents would pay differing amounts, depending on the market rates for child care in their county and the type of care their children received—at home or in a center. Some counties might want to adopt sliding-fee scales, to permit disadvantaged families to send their children to Pepper-staffed day-care centers at subsidized rates. To avoid subsidizing the wealthy, families receiving individual child care in the program would have to pay market rates prevailing in the private sector.

County governments could use any difference between the market rate and the flat $5 hourly rate to provide trainers and support staff. Counties could coordinate transportation by matching families and Peppers geographically. Either the family or the participant could provide transportation, or the family could pay a daily fee. Group child-care facilities might even be located next to senior citizen centers, as in some Scandinavian countries, to simplify transport and let Pepper alumni spend time with the children.

The program would satisfy retirees' concerns about flexible schedules, Social Security benefits, transportation, and anxiety about job performance. To encourage individuals to join, the government could pay Medicare Part B premiums for all participants.

By participating in the Golden National Service plan, the elderly could also contribute to intergenerational fairness. Because of 1983 changes in the Social Security laws, this generation of retirees will be the last to be able to retire on full Social Security benefits at age 65. The next generation will not be able to collect full benefits until age 66, and the subsequent generation until age 67. For no other reason than their recent birthdays, today's young people will have to wait an extra two years to retire on full benefits.

At a time when different generations seem to be looking for economic grievances against each other, America's senior citizens could lead the way toward tying the generations more closely together. Today's elderly citizens could think about those two years from age 65 to age 67 in a special way, as offering them a unique opportunity to help those generations who will not be able to enjoy those years of retirement benefits. They could thereby serve their community in a task most critical to this nation's future: caring for our children. ■

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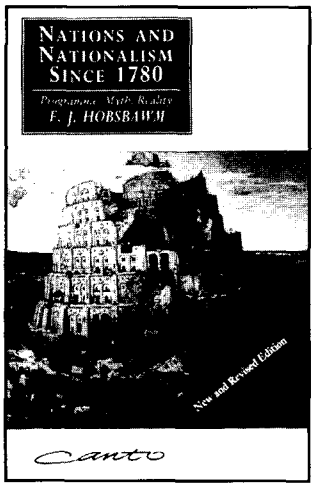

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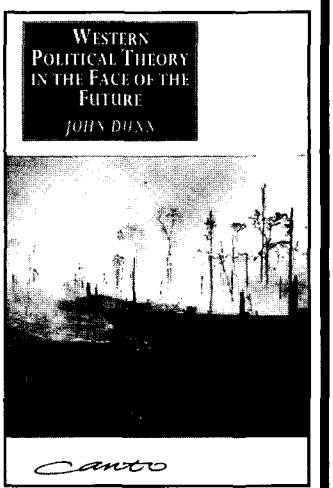

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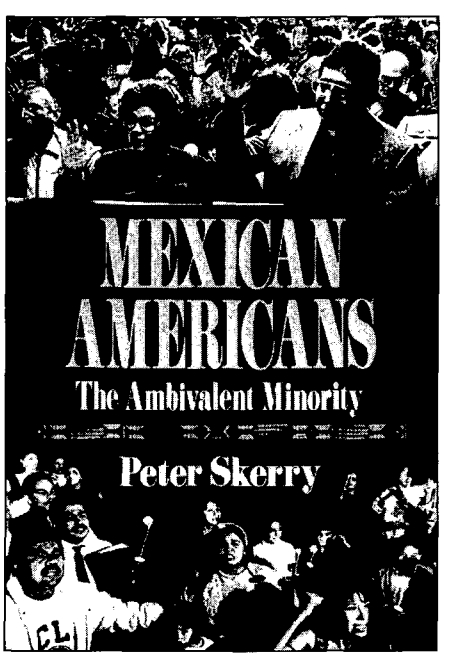

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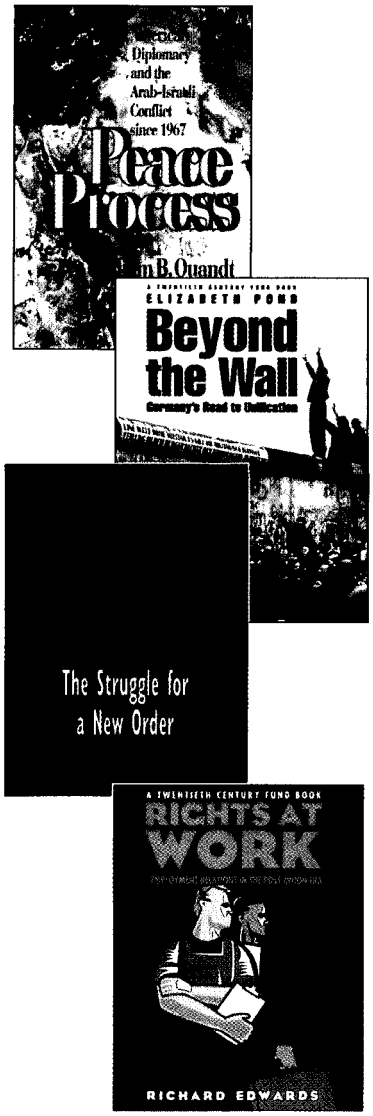

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